

NOTICE OF SPECIAL MEETING

Pursuant to Section 54956 of the Government Code of the State of California, a Special meeting of the **Tracy City Council** is hereby called for:

Date/Time: **Tuesday, November 5, 2019, 5:30 p.m.**
(or as soon thereafter as possible)

Location: **Council Chambers, City Hall**
333 Civic Center Plaza, Tracy

Government Code Section 54954.3 states that every public meeting shall provide an opportunity for the public to address the Tracy City Council on any item, before or during consideration of the item, however no action shall be taken on any item not on the agenda.

1. Call to Order
2. Roll Call
3. *Items from the Audience - In accordance with Procedures for Preparation, Posting and Distribution of Agendas and the Conduct of Public Meetings, adopted by Resolution 2015-052 any item not on the agenda brought up by the public at a meeting, shall be automatically referred to staff. If staff is not able to resolve the matter satisfactorily, the member of the public may request a Council Member to sponsor the item for discussion at a future meeting.*
4. APPROVE AQUATIC CENTER FINAL CONCEPTUAL PLAN AND AUTHORIZE STAFF AND SURLAND COMMUNITIES, LLC TO PREPARE FINAL DESIGN AND CONSTRUCTION DOCUMENTS FOR THE PROJECT WITH A NOT TO EXCEED AMOUNT OF \$54 MILLION, INCLUDING CONTINGENCY AND SOFT COSTS
5. Adjournment



Mayor

Friday, November 1, 2019

The City of Tracy complies with the Americans with Disabilities Act and makes all reasonable accommodations for the disabled to participate in public meetings. Persons requiring assistance or auxiliary aids in order to participate should call City Hall (209-831-6105), at least 24 hours prior to the meeting.

Any materials distributed to the majority of the Tracy City Council regarding any item on this agenda will be made available for public inspection in the City Clerk's office located at 333 Civic Center Plaza, Tracy, during normal business hours.

AGENDA ITEM 4

REQUEST

APPROVE AQUATIC CENTER FINAL CONCEPTUAL PLAN AND AUTHORIZE STAFF AND SURLAND COMMUNITIES, LLC TO PREPARE FINAL DESIGN AND CONSTRUCTION DOCUMENTS FOR THE PROJECT WITH A NOT TO EXCEED AMOUNT OF \$54 MILLION, INCLUDING CONTINGENCY AND SOFT COSTS

EXECUTIVE SUMMARY

This item requests City Council approval of the Aquatic Center final conceptual plan and authorization for staff and Surland Communities LLC (Surland) to prepare final design and construction documents with a not to exceed budget of \$54 million, which includes contingency and soft costs.

DISCUSSION

RECENT AQUATIC CENTER PROJECT BACKGROUND

The City of Tracy and Surland Communities LLC are committed to developing an aquatics facility that meets the needs of our community. Through several years of public input, discussions at Council meetings, the City and Surland continue to work together to deliver a project that will benefit our residents and enhance our quality of life.

In 2018, Council approved a Second Amendment to the Amended and Restated Development Agreement (Second Amendment) with Surland that included various provisions regarding the Aquatic Center. Those provisions include:

- Surland will design the Aquatic Center with input from the community and City staff, with ultimate approval of the final conceptual plan and improvements plans by the City Council.
- Consistent with the original Development Agreement (DA), Surland shall dedicate 16 acres within the Ellis Specific Plan to the City for an Aquatic Center and provide a public benefit fee in the amount of \$10 million for the project. Funds contributed by Surland shall only be used to fund design and construction costs. Surland has paid a portion of those funds (\$2 million) to the City and those funds are currently being used to fund design.
- The City's contribution shall be \$35 million, plus \$9 million of contingency (20% of the total project cost of \$45 million).
- The total funding amount for the Aquatic Center shall be \$54 million (\$44 million from the City of Tracy + \$10 million from Surland).
- Changes to the plans due to any modifications or additions of features or amenities by the City after the final conceptual plan is approved shall be funded by the City and not the Developer's \$10 million contribution.
- The City and Surland shall enter into a design, funding and construction agreement.

Based upon previous Council direction, Surland has been working on a concept plan that includes: location (within the Ellis development), a lazy river, water slides, 50 meter pool, recreation pool, indoor pool, fitness center and toddler area. The proposed amenities were derived from years of public outreach on the project starting as far back as 2007. The estimated project cost in 2018, including soft costs (design, inspection and construction management) and contingency, was estimated to be \$54 million as committed to in the Second Amendment.

RECENT PROJECT COST UPDATE

Upon receiving direction from City Council, Surland refined the Aquatics Center conceptual plan by developing more details on the project amenities such as pool sizes, number of waterslides, etc. They hired Gleeds, a global estimating firm, to provide a detailed cost analysis of the project.. During this process, it was determined that the project cost was significantly greater than the \$54 million budget approved by Council in the Second Amendment. Cost drivers include escalating construction costs based on market fluctuations, achieving full-cost recovery and creating a destination facility, as well as managing community expectations. The current cost estimate for full project buildout is approximately \$130 million. Surland has continued to refine the project to provide phasing options. This resulted in three phasing alternatives, updated cost estimates, and estimated project subsidies that Surland will present as part of this agenda item.

FUNDING FOR THE AQUATIC CENTER

As a part of Measure V, a twenty year half-cent sales tax passed by voters in 2016 to fund services and amenities, Council identified three projects to be funded, estimated at \$80 million: Aquatics Center, Multi-Generational Recreation Center, and Legacy Fields Sports Complex. Additionally, at the October 30, 2017 Special Meeting, Council directed staff to set aside 25% of the Measure V proceeds for “pay-as-you-go” or “pay-go” projects (such as community amenities), and an additional 25% of the annual Measure V revenue for the maintenance and operations of such amenities.

On March 5, 2019, staff presented Council several Measure V debt service funding scenarios for consideration. Council elected not to utilize debt financing to fund the amenities, and instead use Measure V “cash on hand,” whereby the projects would be phased in over time or through a “pay go” approach. In this scenario, Measure V funds would be collected and set aside until an adequate amount was available to fund a project.

Based on estimates from the City’s sales tax consultant and an annual 2% growth assumption, Measure V is projected to accumulate over \$230 million in revenue over the next 17 years. The Council recognizes the community value of the Aquatic Center, among other amenity priorities, and has elected to fund the project via Measure V revenue, including staffing and maintenance costs to operate the facility.

Under the “pay-go” approach and assuming a funding amount of \$54 million, it is anticipated that the Aquatics Center would open by summer 2023. The Aquatics Center

cash flow table below reflects Measure V cash on hand, projected Measure V funds over the next four fiscal years, and additional funds committed to the project. Committed funds include developer contributions via the Development Agreement, funds collected from new development (Plan C), and Council approved funds for peer review consultant costs. Not included in the cash flow table is \$12.5 million in aquatic center impact fees that will be collected over a period of 30 years, beginning in 2024.

In addition, the table reflects approved Measure V staffing costs (with inflation) for a Parks Planning & Development Manager to oversee Measure V projects, and a Senior Park Maintenance Worker assigned to Legacy Fields, and developer funds spent to date for the Aquatic Center preliminary and conceptual design plan expenses. It is important to note that the table does not include any anticipated subsidy or operating expenses; estimated project costs are fluid and will not be more concrete until final design and construction documents and the bid process are complete. Surland and their consultants will provide preliminary information regarding expected subsidies for each of the proposed design alternatives.

AQUATIC CENTER PRIORITY FUNDING SCENARIO

The table below illustrates a funding scenario that commits all available Measure V funds over the next four years to the Aquatic Center project. Should Council elect to pursue this funding scenario, it should be noted that there will be little to no funding for other community amenity projects during this time period.

Aquatics Center Project Estimated Cashflow Outlook		
	FY 2019	FY 2019-2023 (four fiscal years)
Measure V Cash	\$ 3,512,658	\$ 40,229,605
<u>Aquatic Center Committed</u>		
Plan C	\$ 1,700,000	
Aquatic Center Measure V	\$ 1,000,000	
Surland's committed via DA	\$ 10,000,000	
<u>Other Expenses</u>		
Approved Staffing		\$ (1,823,187)
Funds used for aquatics center preliminary design and concept plan	\$ (1,000,000.00)	
Total Available year end	\$ 16,212,658	\$ 54,619,077
Aquatic Center Project - Total Cost		\$ (54,000,000)
Total Available for Other Projects		\$ 619,077

FINAL CONCEPTUAL OPTIONS DEVELOPED BY SURLAND DESIGN TEAM AND
AND OPERATIONAL IMPACTS

Surland has prepared several phased designs (Alternatives 1 - 3) with project costs ranging from \$54 million to \$130 million. Their approach assumes approval of the final conceptual plan at complete build-out (Alternative 3) and an option to phase the project utilizing bid alternates to provide flexibility based on bid results. While this approach seems prudent to expedite the bid process, it likely would increase costs for bid additives. It could also increase up front infrastructure costs for phases that may not be constructed in the near term. In addition, it should also be understood that there are no funds currently available to fund the full build-out (Alternative 3) and alternative funds will need to be identified in the future.

According to WTI Incorporated, a design consultant for Surland, the proposed final conceptual plan (Alternative 3) will create an enhanced guest experience similar to a destination resort. Projections and operating models provided by Surland's design team convey full build-out of the Aquatic Center (Alternative 3), utilizing a privately ran operator. Due to limited time, staff was unable to thoroughly review the consultant's proposed cost estimates and operating assumptions for the phased approaches (including guest entry fees). Based on the feedback gathered from other area aquatics centers, staff anticipates a General Fund subsidy will be needed to operate and maintain this facility, depending on the amenities built and the design elements. General Fund subsidies from area aquatics facilities vary and are typically driven by scope, size, business model and location, which could amount to \$1 million annually. Staff also cautions that some private operators of aquatics facilities have failed in other jurisdictions (La Mirada Splash Aquatics Center), and as a result, public agencies have had to take over operations. Given this, it is important that efforts are taken to ensure that the final design and construction documents reflect an aquatics facility that can be programmed and operated by the City, should the facility revert to City operation. Staff recommends a comprehensive review of facility operations from both the private and public operator perspective.

Staff does not recommend that the Council commit to full build-out (Alternative 3) of the Aquatic Center for the following reasons: 1) the capital and future operating costs of the project are supported through a temporary revenue source (Measure V), 2) projected operational subsidies would create a long-term impact to the General Fund, 3) a \$54 million project budget can deliver the many of the desired aquatics amenities, as seen in neighboring communities.

It is important to note that the construction estimates provided by Surland's consultants are fluid and are for general discussion purposes. Development of the final design and construction documents will help refine those costs, along with the bid process.

Given Council's prior commitment to fund the Aquatic Center, past fiscal discussions on Measure V priorities, lack of funding alternatives, and anticipated operating subsidies, staff recommends that Council approve a final conceptual plan with a budget of \$54 million. The final conceptual plan will help guide programmatic and financial expectations of the Aquatics Center. Working in partnership with Surland, staff believes

a final design project budget of \$54 million can incorporate many of the key elements previously identified by Council and the community. It should be noted that committing to a budget amount does not necessarily mean the elimination of desired programmatic elements. The alternatives presented by Surland can be modified to realize Council's fiscal and project goals as it pertains to the Aquatic Center.

NEXT STEPS

Staff recommends that Council authorize staff and Surland to prepare final design and construction documents, including any additional recommended design modifications, within a project budget of \$54 million with the understanding that there is no available funding for future expansion at this time. Staff also recommends that all sizing of infrastructure should be designed to support only the proposed improvements included in a \$54 million project budget and not for future phases, thus maximizing the number of amenities in the project.

Once authorized, staff will return to Council to approve a design, funding and construction management agreement that will clarify roles and responsibilities along with project milestones.

STRATEGIC PLAN

This agenda item is consistent with the City Council's adopted Quality of Life Strategy and meets the goal of enhancing the City's amenities.

FISCAL IMPACT

Fiscal impacts will vary, depending on Council direction.

RECOMMENDATION

That City Council approve, by resolution, the Aquatic Center Final Conceptual Plan and authorize staff and Surland Communities, LLC to begin final design and construction documents for the project with a not to exceed amount of \$54 million, including contingency and soft costs.

Prepared by: Richard Joaquin, Parks Planning & Development Manager

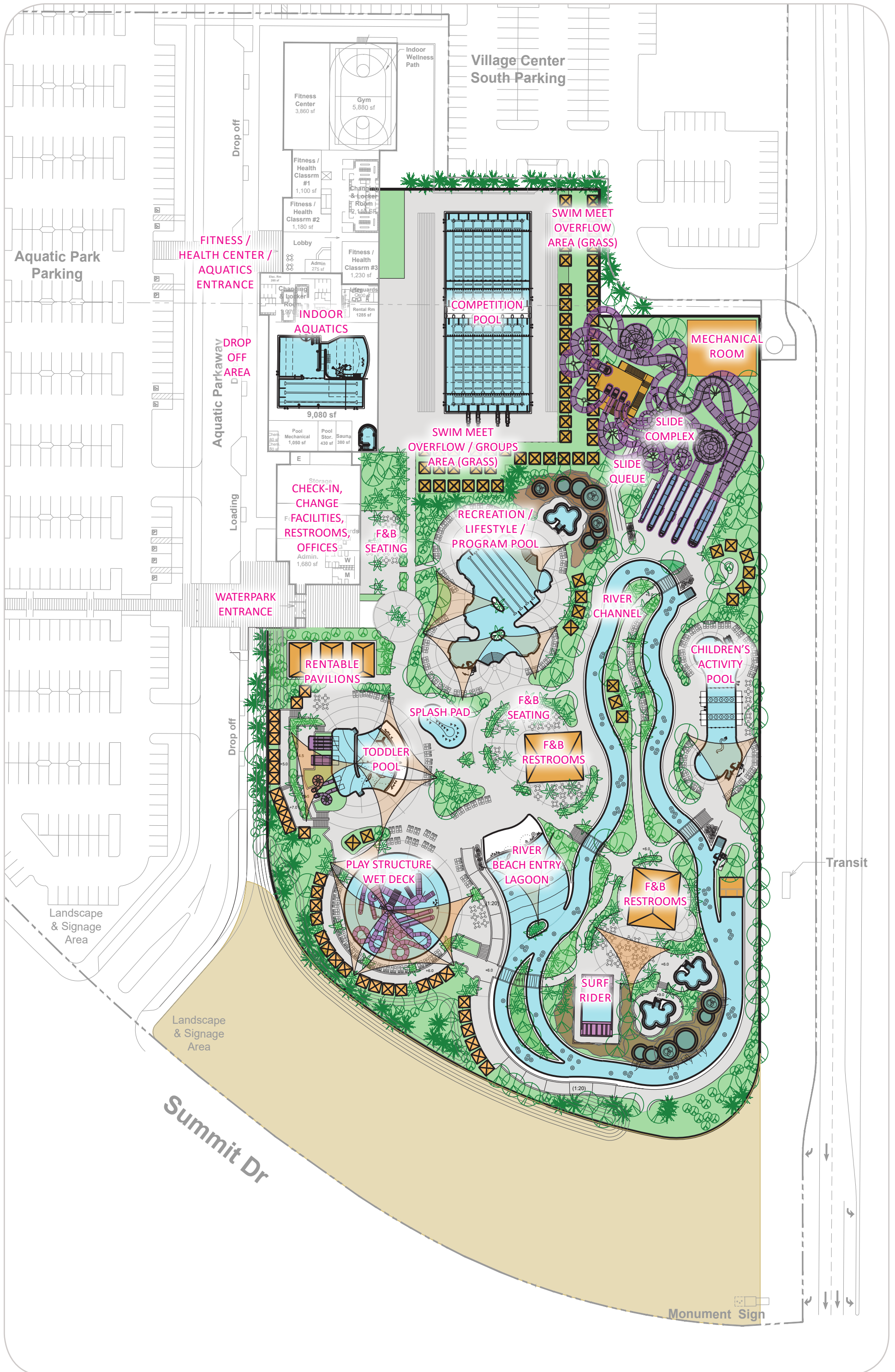
Reviewed by: Brian MacDonald, Parks and Recreation Director
Karin Schnaider, Finance Director
Andrew Malik, Assistant City Manager

Approved by: Jenny Haruyama, City Manager

Attachment A – Surland Design Team Conceptual Site Plan Alternatives







RESOLUTION 2019-_____

APPROVING FINAL CONCEPTUAL PLAN FOR THE AQUATIC CENTER AND AUTHORIZE STAFF AND SURLAND COMPANIES LLC TO PREPARE FINAL DESIGN AND CONSTRUCTION DOCUMENTS FOR THE PROJECT WITH A NOT TO EXCEED AMOUNT OF \$54 MILLION, INCLUDING CONTINGENCY AND SOFT COSTS

WHEREAS, in 2013, City and Surland executed an Amended and Restated Development Agreement by and between the City of Tracy and Surland Communities, LLC, recorded in the official records of San Joaquin County, as Document Number 2013-119548 (the "DA"), and

WHEREAS, Among other things, the DA provided for Surland to dedicate sixteen (16) acres of land within the Ellis Specific Plan area to City for a proposed public swim center (the "Aquatic Center"), and to pay to City Ten Million Dollars (\$10,000,000) (the "Developer Contribution") to fund the design and construction of the Aquatic Center. On September 5, 2014, Surland paid Two Million Dollars (\$2,000,000) of the Developer Contribution to City, and

WHEREAS, In 2018, City and Surland executed that certain Second Amendment to Amended and Restated Development Agreement by and between the City of Tracy and Surland Communities, LLC, recorded in the official records of San Joaquin County as Document Number 2018-055247 (the "Second Amendment"). Among other things, the Second Amendment amended the DA to reflect the Parties' agreements that (i) Surland would provide to City design and construction services for the Swim Center equal to and in lieu of paying the remaining Eight Million Dollars (\$8,000,000.00) of its Developer Contribution, and (ii) Surland would facilitate design and improvements plans for the Aquatic Center, and

WHEREAS, Pursuant to the Second Agreement, the City's contribution to the Aquatic Center shall be \$35 million plus an additional \$9 million for contingency that combined with the Developer Contribution totals \$54 million, and

WHEREAS, The Second Amendment further provides that the City Council shall approve a final conceptual plan before Developer prepares construction improvement plans and if, after the Council approves the final conceptual plan, the City modifies or add additional features or amenities to the conceptual plans the cost of changing the conceptual plan shall be funded by the City, and

WHEREAS, A final conceptual plan is merely a general notion of intent that contains programmatic elements that are further refined during the development of construction documents in order to comply with local, state and federal building, health and safety codes and operational needs, and

WHEREAS, Upon Council's approval of a final conceptual plan, staff and Surland will prepare final design and construction documents that are consistent with the budget amount approved, including sizing of infrastructure to only support the proposed improvements in the current phase of construction and any additional design modifications made by Council, and

WHEREAS, Surland presented a final conceptual plan with alternative phasing options for the Council to consider on November 5, 2019, and

NOW, THEREFORE, BE IT RESOLVED, That the City Council of the City of Tracy hereby approves the Final Conceptual Plan for the Aquatic Center and authorizes staff and Surland to

prepare final design and construction documents for the project with a not-to-exceed amount of \$54 million including contingency and soft costs, and in accordance with this resolution.

* * * * *

The foregoing Resolution 2019-_____ was passed and adopted by the Tracy City Council on the 5th day of November 2019, by the following vote:

AYES:	COUNCIL MEMBERS:
NOES:	COUNCIL MEMBERS:
ABSENT:	COUNCIL MEMBERS:
ABSTAIN:	COUNCIL MEMBERS:

MAYOR

ATTEST:

CITY CLERK