Webb Building Capacity Project

Finance and Governance Committee
May 23, 2023
Resolutions #23-0562, 23-0563, 23-0564, 23-056
Bill #23-0566

Webb Building Capacity Project

Justification: Investment is long overdue for the finishes in the Webb Building, including furniture/carpet/paint and collaborative office space configurations that promote investment in our employees, a positive and healthy work environment, as well as modern furniture that supports this high-tech and progressive world in which we work and live.

In addition to carpet, paint, and finishes, highlights include:

- Accessibility improvements
- Added wellness rooms
- Much-needed technology upgrades
- Flexibility built in to adjust for a changing work environment
- Space configurations for collaboration and efficiency
- Increased cubicle space for added employees and growth in a hybrid environment
- Replacement of discontinued and outdated furniture systems

City and County of Denver Employees

- The City has seen sustained growth, even during the pandemic, to support citywide initiatives including affordable housing, bond projects, sidewalk projects and the Urban Waterways project.
- The Webb Building Capacity Project addresses growth in high impact departments including Community Planning and Development, Department of Transportation and Infrastructure and Department of Housing Stability.
- By 2027, the City will need an additional 600 seats between the Webb Building and the Denver Post Building.
- It is anticipated that refreshing the Webb Building will assist in attracting and recruiting new employees and retaining current employees.

Webb Building – Current State

- Webb Building has not had an investment made to refresh since it opened more than 20 years ago.
- Webb building cannot accommodate current FTEs, even within a hybrid environment.
- Meeting current need without Webb Building Capacity Project will require leasing additional space and purchasing new furniture for the leased space.
- Growth can be accommodated with hybrid/75% rule.

Webb Building – Future-state Assumptions

- Hybrid work environment with a combination of workstations and hoteling stations
- Includes growth factor for each agency
- City agencies in the Denver Post Building will move back into the Webb Building as subleases expire
- District Attorney will move into new lease space

Webb Building Capacity Project Scope

Interior Renovation of the existing 12-story Wellington E. Webb Municipal Office Building in order to consolidate City Employees, enhance utilization of the space, upgrade dated and worn-out office finishes to meet office building standards, meet current building codes, update necessary ADA requirements, update restrooms and breakrooms, and modernization of elevators.

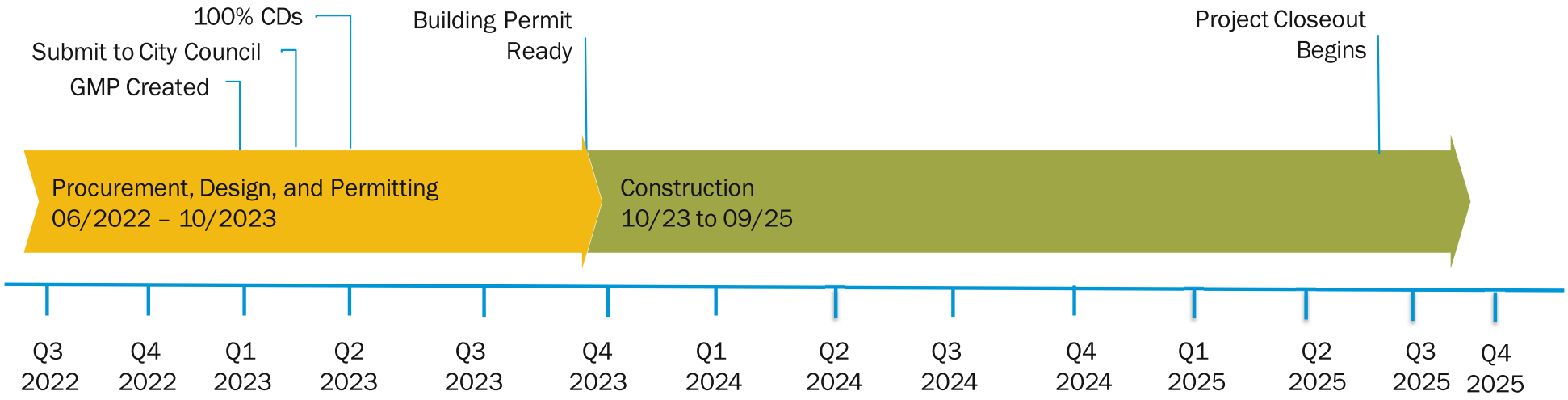
Scope

- Interior Finishes: Carpet, Paint, Finishes, Modernization of Elevators, Breakrooms, Restrooms, etc.
- New workspace layouts and furniture
- Update to current ADA standards as necessary
- Upgrade IT requirements as necessary

Budget

- $133.5 Million budget, of which $30M is for Furniture, Fixtures and Equipment (FF&E)
- Certificate of Participation (COP) financing to be utilized

Webb Building Capacity Project Timeline

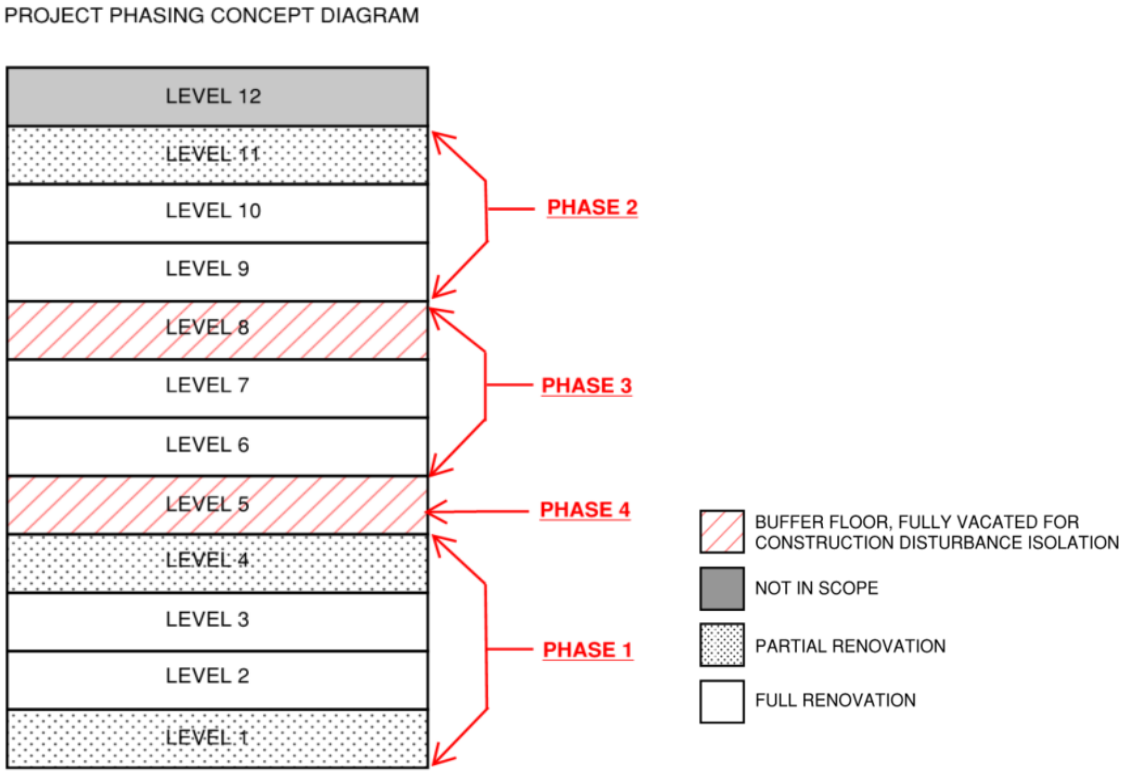


Webb Building Capacity Project Phasing

Phasing

Recommended Phasing:

- Fully vacate approx. ~3 floors at a given time during construction
- Anticipated Construction Start: Sept/Oct 2023 (24-month duration)
- Buidling will remain occupied during construction
- Public access to select services will be maintained throughout construction



Action Items

Construction Contract

General Services On-Call Furniture Contracts

Financing - New Money and Refunding (if economical)

Construction Contract

Resolution #23-0562

- G.H. Phipps selected as the CM/GC Contractor for the Webb Restack with a GMP Contract in the amount of $92,302,364.
  - Expected NTP date - July 15, 2023.
  - Construction Contract Term: 3 years
- Contract to be submitted for City Council approval June 2023.
- Estimated Construction Start: Q3 2023 thru Estimated Completion: Q4 2025.
- Milestones per phase will be included in contract to ensure timely completion
- M/WBE 21% Construction Contract
  - *Design Contract currently 6.7% M/WBE and 77.9% SBE participation*

GS On-call Furniture Contract

Furniture contracts were approved in 2019 in preparation for the Webb Building Capacity Project. When the Project paused to re-evaluated the plan for a hybrid environment, DEN significantly utilized the contracts for its project.

Amendments to current Purchase Orders – adds capacity and two-year extension; citywide need including additional DEN needs; cost for product

Resolution #23-0563 request seeks approval for an increase of $7,000,000 and a date extension of two years to Master Purchase Order for SC-00003206 to OfficeScapes of Denver, LLC.

Resolution #23- 0564 request seeks approval for an increase of $11,500,000 and a date extension of two years to Master Purchase Order for SC-00003355 to Teammates Commercial Interiors, Inc.

Resolution #23- 0565 request seeks approval for a two-year date extension to Master Purchase Order for SC-00003357 to Design Resource Group, Inc.

Certificates of Participation Financing Overview

Bill #23-0566

The proposed ordinance seeks authorization to execute and deliver Series 2023 Certificates of Participation (COP) in an amount not to exceed $300 million, for the purposes of:

1. Providing $133.5 Million of new money to fund capital improvements related to Webb Building Capacity Project
2. Refunding of existing Webb 2008A1-A3 COPs, eliminating future variable rate volatility and risk to the LIBOR Index, if market conditions are economical
    - 2008A1-3 COPs attributable to original funding of Webb Municipal Office Building Webb Building serves as existing leased property/collateral
    - Lease payments currently funded from General Fund
    - COPs are currently in variable rate mode synthetically fixed with interest rate swaps, indexed to LIBOR which is set to expire this summer

Key Financing Objectives

Financing structure to optimize cost while managing risks:

- ✓ New money provides timely funding for updates and improvements needed for an essential city facility to maintain many key city operations
- ✓ Opportunity may exist for the refunding of existing 2008A1-3 COPs to terminate swaps and eliminate certain risks within the city's debt portfolio (variable rate and swap exposure) given the LIBOR index is set to expire this summer
- ✓ 2023 COPs will not require the pledge of any additional leased property, Webb Office Building will continue to serve as sole pledged leased property.

Key Financing Terms

- Costs associated with the transaction will be paid from the proceeds of the financings.
- 2023 COPs will be sold by Bank of America, who was selected via a competitive process, to maximize structuring flexibility
- Total Series 2023 annual lease payments will be approximately $25 million per year (subject to annual appropriation)
  - Approx. $6M/year attributable to new money, $19M/year attributable to refunding of current outstanding 2008A1-A3 COPs

New Series	Tax Status	Interest Rate*	Purpose	Pledged Collateral	Annual Lease Payment Source	Estimated Par Amount*	Final Maturity	Current NPV Savings*
Series 2023	Tax-exempt	Not to exceed 5%	Funds improvements to Webb Office Building Refunds 2008A1-A3 Webb COPs and terminates associated swaps, if economical	Webb E. Wellington Municipal Office Building	New Money Portion: $2M GF Remainder CIP Refunding Portion: GF	$300 Million	12/1/2037	$3.3M

*** Par amount, interest rate, annual lease payments and savings will be finalized on the day of pricing after Council approval and are subject to market conditions**

Certificates of Participation (COPs) Overview

- Type of financing that function similar to a bond but are not considered debt as they are subject to annual appropriation and do not require voter approval.
- COPs take the form of a lease purchase ("rent-to-own") transaction- certificates represent an interest in a lease between a trustee (representing the COP holders/investors) and a state or local government.
- Typically used for the purchase or construction of real property.
- Annual payments made by the city are subject to annual appropriation by City Council
  - A city-owned asset serves as the collateral (leased property) for a COP financing
    - Collateral is released when COPs retire
    - If the City fails to appropriate the COP lease payment, the Trustee takes possession of the pledged collateral for the benefit of the COP holders

Debt Policy for COPs (New Money):

- Long lived assets with high acquisition costs that would otherwise be disruptive if financed with cash are best candidates of COP financings
- Project to be financed must be deemed "essential" and necessary to the City
- New revenue stream and/or measurable cost savings dedicated to annual lease payments
- Annual lease payments shall not exceed 5% of acquiring fund's annual revenues

Questions?

Appendix

Construction - MWBE

CONSTRUCTION CONTRACT (DOTI)
The Construction Contract has been assigned an M/WBE requirement by DSBO of 21% minimum. Subcontractors have not been bought out yet, as this is a CM/GC delivery method, but the Prime will be required to meet or exceed 21% on the overall project and this will equate to at least $16,443,946 toward certified firms, once approved through City Council

DESIGN CONTRACT (DOTI)
The Design Contract currently has:
6.7% MWBE participation (Delet, Group 14, LT Engineering, SynEnergy) and,
77.9% SBE participation (Studiotrope)

FFE CONTRACT (GS)
6.5% MWBE/SBE Design Resource Group