



Police Station RFP Review Committee

March 12, 2015

Overview

The Police Station RFP Review Committee reviewed all three proposals received, conducted interviews, and asked follow-up questions to the proposers. In our review, it appears that all three proposals would generate a suitable police station structure and solution for the Norwich Police Department, however the financial details gave the Committee cause for concern.

Former YMCA Property

RFP, Inc. proposes to build a police station on the former YMCA property on Main Street and lease it to City for 25 years with three optional 10-year extensions. The annual payment for this option is \$2.4 million. The City would have the option to purchase the facility at the end of the 25 year term or at the end of each subsequent 10-year extension at market value, as established by an appraisal process described in their proposal. This proposal does not apply any of the lease payment proceeds toward the principal purchase price of the building. This site is also the smallest in terms of acreage. However, because of its location near Burnham Square, this site is the most likely to spur economic development in the downtown.

Former Buckingham School

Downes Construction proposes to build the station on the former Buckingham School property on Washington Street and lease it to the City for 30 years for \$2.1 million after which the City would own the building. This is the least expensive of the three projects and the only one of the three proposals structured as an installment sale in which the City would own the building at the end of the lease term without incurring an additional payment for purchase. The major drawback to this site is its location in a residential neighborhood. It is very unlikely to generate economic development.

NLC Mutual Insurance Building

NorthStar Ally proposes to renovate the current NLC Mutual Insurance property located on High Street and lease it to City for 40 years for \$2.7 million. In present value (PV) terms, this project is nearly as expensive as the proposed former YMCA project, despite not being a brand new building. The City

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would be getting the use of a refurbished 25-year old building which, without negotiating a final buyout price, it would not own at the end of the 40 year term. This site has the most acreage and square footage of the three proposals which gives the Norwich Police Department room for future expansion, if necessary. This proposed project is also unlikely to generate other economic development.

Other Observations

The comparison of these three proposals took longer than anticipated because we were comparing three different sites using three different lease arrangements.

The pricing of the three proposals does not all include the same items/features, so it is not a completely “apples-to-apples” comparison. It is more of a rough approximation.

Leasing the project in the form of an installment sale (Downes proposal) presents legal issues that should be addressed with City Council.

Financing with the project in the form of an operating lease (RFP, Inc. and NorthStar Ally proposals) would require the City to negotiate the final purchase price of the property at the end of the lease term or construct another police station.

Location

All three of these locations are suitable from an operational standpoint, so the selection of the location of the police station should be a policy decision. Because the location of the police station will impact many generations, a decision of this magnitude is better made by elected members of the City Council.

Financing Method

Part of our committee’s evaluation process included a comparison of the present value cost of the proposed lease versus the present value cost of bonding the project. In every case bonding the project is far less expensive than leasing. Additionally, bonding the project would enable the City to own the station outright after a fixed period of time at a fixed cost.

The Connecticut General Statutes currently allows municipalities to bond a project such as a police station over no more than 20 years – which is far less than the estimated useful life of a well-planned police station. Norwich may be able to appeal to our local legislators to adopt special legislation to extend the term to 30 years which will lessen the cost impact on future budgets and provide more intergenerational equity. The general statutes currently allow major school projects and sewer projects to be financed for 30 years, water and sewer projects financed with USDA loans to be financed for 40 years, and a proposal is pending in the legislature to allow any project financed with USDA loans to be financed for 40 years: AN ACT CONCERNING THE MATURITY DATE FOR MUNICIPAL BONDS ISSUED IN CONJUNCTION WITH CERTAIN LOANS FROM THE UNITED STATES DEPARTMENT OF AGRICULTURE.

Recommendations

In summary, the Police Station RFP Review Committee offers the following recommendations. We believe these recommendations best facilitate the construction of a new police station that meets the space and functional needs of the police department at the lowest cost to the taxpayers.

- Council to revisit and select a preferred site for a police station
- Acquire the preferred site, if it is not currently owned by the City
- City administration to lobby Connecticut General Assembly for ability to bond police station project for up to 40 years
- Council to adopt a bond ordinance for the police station project to get to voters on November 2016 ballot for referendum and continue to explore leasing options
- City administration to issue an RFP for the design/build of a police station at the preferred site

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