



## DOLLARS & \$ENSE

### The Case for Rehabilitation of Park School



#### 1. The Facts Just the Facts

##### a. The Need

This will fill an immediate, urgent, practical and direct need to house the municipal offices of Town Hall, severely constrained by lack of space, and unable to adequately serve its public duties; the Police Department, **moved to a temporary location due to flooding and security problems**; and the Fowler Public Library, **moved to a temporary location due to flooding and mold**. All three of these departments are functioning under severe limitations, including:

- 1) The Town Council meets in a room with seating for approximately 15 – 16 people, for larger meetings or presentations, accommodations are sought off sight.
- 2) Town Administrator, Town Treasurer, and Town Clerk are packed into approximately 700 square feet, plus storage of approximately 600 square feet, with no privacy, conducting town business while public is present for Town services.
- 3) The temporary space now housing the Library would need extensive electrical, mechanical (HVAC) and building insulation improvements to meet indoor environmental needs (comfort and air quality), current building codes for health/life-safety and energy efficiency to become a permanent facility. There are not any grant funding sources available to pay for this and the cost would have to be covered by the Town. Additionally, the library recently accepted a donation of

8,000 more books, stored in Park Elementary School with no public access and at least 20 computers, which cannot be set up at this time because of electrical needs. Current temporary Library has inadequate space for housing these additional collections, let alone programs for the public.

Moving the police department into the space currently occupied by the Library as part of the Park School rehabilitation project will allow us access to a justice assistance grant and DOLA grant funds for renovation of this space as a public safety project.

- 4) The indoor environments in all buildings do not meet the needs, requirements and standards for healthy work environments. This includes less than adequate thermal (temperature) comfort, inadequate levels of outside air for ventilation and filtration and noisy heating, ventilating and air conditioning (HVAC) systems that disrupt public events and use of the facilities. All of these factors can lead to health and productivity related problems.

#### **b. Benefits to citizens from rehabilitation of Park School**

The major beneficiaries of this project will be Fowler's citizens of all ages and ethnicity, visitors and travelers and other communities seeking an example of how to best reuse historic structures in order to preserve and rehabilitate in a **cost efficient manner for needed community services**.

Top of mind benefits to the Town include:

- 1) Consolidation of municipal services in a significant local historic landmark in the center of the Town.
- 2) Local jobs created from building rehabilitation activities.
- 3) The preservation of the school will enhance the authenticity of the area that visitors and Heritage Tourism travelers will encounter. This audience is expected to increase with the promotion and marketing of the Canyons and Plains of Southeast Colorado as part of the Colorado Heritage Tourism Regional Pilot Project Program.
- 4) Quality indoor environments that will promote health and productivity for building users.
- 5) The site, both within the building and on the grounds, will have interpretive signage and exhibits about the history and innovative use of "green" technology.
- 6) The Park Elementary School project is serving as a catalyst for the partnering of the Colorado Historical Society State Historic Fund and the Colorado Governor's Energy Office ("GEO") to commit to Performance Contracting, a model that will support preserving and rehabilitation of other historic buildings in a cost and energy efficient manner. Many historic structures can be saved and thus be best used with less financial burden to their communities.
- 7) Consolidation of Town Hall, the Police Dept. and the Library will greatly reduce utility expenses, office equipment expense and provide a greater convenience for the residents of Fowler.

## 2. Current project status

### a. Evaluation, planning & design

#### 1) Source Architechnology

Source Architechnology is a recognized State-leading architectural firm for historical building renovations and has been working with the Town since early 2008. They are now under contract for architectural and structural evaluation, planning and design services for the Park School project for a total of \$103,000. The Town has already paid Source approximately \$40,000 from the current Department of Local Affairs/DOLA grant and will be obligated to repay DOLA in the event that the project does not move forward.

#### 2) Honeywell Building Solutions

The Town is working with Honeywell Building Solutions on an audit to identify energy efficiency options, additional grant funding and mechanical, electrical and plumbing systems design. Honeywell has been working for free up to this point in time and now needs Town Board of Trustees approval to move forward with formal planning, grant application efforts and design services. It will take roughly 90 days to complete this effort. Time is of the essence as the Town may lose out on the opportunity for Federal stimulus grant funds for the geothermal heat pump (heating and air conditioning systems) and other current and potential grant sources.

Honeywell will document anticipated technical and financial performance for the remodeled building (first cost, life-cycle cost, "pay from savings" financing for incremental cost savings improvements, etc.) and will be using this as the basis for the following final design, construction and **performance guarantees** that will be provided by Honeywell under a subsequent performance contract. It is our goal to be under contract to Honeywell for actual construction by the end of December 2009.

Honeywell's fee for these services is \$41,730. Honeywell recognizes that the Town will need additional grant funding to make this project work for the Town, is already working on our behalf to pursue these funds. Honeywell has agreed to waive their fee in its entirety if the team consisting of the Town, Source Architechnology and Honeywell are unable to obtain enough additional grant funds to pay for the full consolidation of the Town offices, Library and Police Department on the Park School site.

The table on the following page illustrates current funding, the total cost anticipated to renovate the entire building and the adjacent multi-purpose building. Honeywell will be working closely with the Town and potential new/additional grantors to close the funding gap. Our current focus is to develop a project that will renovate needed space (as opposed to the entire building) for significantly less than the \$1,326,800 shortfall for full building remodel:

## Current funding analysis:

Category	Funding \$'s	Comments
<b>Current funding:</b>		
1) Department of Local Affairs/DOLA	\$ 300,000	No limitations – for building design & rehabilitation (mechanical, electrical, plumbing, exterior and interior refinishing)
2) Anschutz Foundation	\$ 7,500	For Library fixtures
3) State Historic Fund	\$ 275,000	For building design & rehabilitation. Must comply with State Historic Fund guidelines.
4) CDOT highway enhancement fund	\$ 108,200	For windows.
5) Kenneth King Foundation	\$ 2,500	No specific requirements stipulated. Intent was to direct toward library portion of project.
6) Town funds	\$ 180,000	Approved by Board. \$130K to be funded via 30-year low interest tax-exempt loan and \$50K from available capital.
<b>Current available funds</b>	<b>\$ 873,200</b>	
Anticipated budget from Honeywell & Source Architechnology	\$ 2,200,000	Honeywell budget for completion of renovation activities for both floors. Does not include possible structural reinforcement for library book loading, renovation of unused spaces on the second floor or site landscaping.
<b>Shortfall for full building renovation of Park School &amp; adjacent multi-purpose building.</b>	<b>\$ (1,326,800)</b>	<b>Additional (potential) funds from Federal stimulus program for geothermal groundsource heat pumps, DOLA, Anschutz Foundation, CDOT, State Historic Fund, El Pomar Foundation &amp; Justice Assistance grant.</b>

Honeywell will also be our design-build general contractor for the project operating under a performance contracting program developed through the Colorado Governor's Energy Office ("GEO") and their energy performance contracting program. As our performance contracting firm, Honeywell will work in partnership with our architect, Source Architechnology, and with oversight from the Governor's Energy Office ("GEO") to provide a design-build renovation project with guaranteed outcomes for the Town. This will include annual energy cost savings, meeting indoor thermal comfort standards, complying with applicable codes and standards and meeting the requirements of the State Historic Fund for historic building preservation. In the unlikely event that building performance falls short of guaranteed outcome levels, Honeywell will rectify the situation at no additional cost to the Town (= no change orders). In addition, Honeywell will facilitate non-debt based tax exempt financing for incremental building improvements that will further reduce our energy use and environmental impact.

For example: If the project was to cost \$1,000 and Honeywell could save us \$1,000 in the first year, then the project would be paid for. Additionally, Honeywell will guarantee that they would save us \$1,000 and if they could not, they would do whatever is necessary to achieve the \$1,000 savings, including paying us for any savings shortfall.

Honeywell has begun the process for the Town of applying for a Federal stimulus program grant for ground-source geothermal heat pumps for heating, air conditioning and mechanical ventilation. The use of these system is anticipated (& will be guaranteed by Honeywell) to reduce our annual energy costs by 30 – 40% versus conventional **HVAC** systems.

Other energy efficiency and renewable energy technologies, such as solar thermal heating and solar electric power generation, are also under consideration. This will allow investment in other ventures to support the local economy.

### 3. Who Pays for What

#### a. Grant funding

Grants are awarded by a funding body for specific projects. It is standard procedure for projects to be funded by the same body for several different phases, meaning applications/proposals for new grant rounds.

Applying for grants is a rigorous and competitive process and requires a legal contract between the Grantor (Funder) and the Grantee (Town of Fowler).

Most counties, local governments, and non-profits depend on grants to fund important projects and cannot survive without them. For example, the renovation of Gerard Park was paid for by a grant from Great Outdoors Colorado (GOCO) source of revenue, lottery funds.

As with all grants, the Grantee is held legally & fiscally responsible for meeting all deliverables or Scope of Work spelled out in the specific grant application. The Grantor can sue the Grantee (as in the case of the Bent County Courthouse) or recall the funds

if the contract is not fulfilled. It is unlikely any future grant proposals will be awarded money because of lack of community support and failure to follow through on grants awarded.

**1) What are these grants that are secured and under contract with the Town?**

The Park School project is under contract at this point in time for:

- \$300,000 - Department of Local Affairs (DOLA), source of revenue, Local Government Energy and Mineral Impact Assistance Fund or money created by the Severance Tax for mineral extraction.
- \$275,000 - Colorado Historic Society State Historic Fund (SHF), source of revenue, gambling funds
- \$108,200 - Colorado Department of Transportation (CDOT), source of revenue, US Department of Transportation Highway Enhancement Fund
- \$7,500 - Anschutz Family Foundation, source of revenue, private family foundation
- \$2,500 - Kenneth King Foundation

**2) Other potential grants**

- \$300,000 - \$500,000 from American Reinvestment & Recovery Act for groundsource heat pumps
- \$750,000 from several additional sources
  - i State Historic Fund/SHF for project phasing/staging
  - ii El Pomar Foundation
  - iii Gates Family Foundation
  - iv Justice Assistance Grant for police/public safety

**b. What is involved with matching funds from the Town?**

A local match, either cash or in-kind is most frequently required by Grantors, particularly to show local support. The Town set aside an initial match of \$180,000 (\$50,000 cash, \$130,000 low interest loan to be paid off in 20 years). This is a one time match by the Town and is set aside to be used as match to leverage the other grants secured. For instance, the DOLA funds of \$300,000, secured and under contract, were then leveraged as match to secure the SHF award of \$275,000, now under contract. The DOLA & SHF were leveraged to secure the \$108,200 CDOT award, now under contract. All of these grant awards can and will be used as match for future grants leaving the original \$180,000 in the bank for proposals for future phases. Examples of how this has worked in the Valley are the Rawlings Heritage Center & Bent County Courthouse, Las Animas; both after many phases are nearing completion. The Manzanola Depot, award winning community center and Town Hall, are now functioning and are entering the landscaping phase.

**c. What do Fowler Taxpayers have to expect in cost increases?**

Taxpayers will not be expected to pay anything as far as an increase in taxes or fees.

**d. What other projects are being funded by grants**

- 1) Gerard Park, Great Outdoors Colorado (GOCO)
- 2) Comprehensive Land Use Plan, DOLA, completed and accepted by Town

- 3) Back feed Line Water & Sewer projects, Department of Local Affairs (DOLA)
- 4) Fowler School District, Track Field, Great Outdoors Colorado (GOCO)

**e. What happens if Park School rehabilitation is cancelled**

- 1) The Town will have to reimburse Grantors for funds already expended, including the \$40,000 payments to Source Architechnology.
- 2) Chances of receiving grants in future for other projects (i.e. swimming pool/recreation fitness center on school property), will not be considered because of cancellation of contracts with major funder showing there is not support in community.

**4. Recognition for the Town**

- a. The Park Elementary School project of blending preservation and renewable energy technologies has received state recognition by the Colorado Municipal League in their April 2008 magazine edition on "The Greening of Fowler"
- b. A highlighted workshop at the Saving Places Conference in Denver sponsored by Colorado Preservation Inc. in February 2009, focused on the partnerships working on this project as a model for other communities throughout **the State and nation**. It is the largest conference of its kind, dealing with preservation and use in the United States. Presenters included:
  - 1) Nan Rickey, Colorado Historical Society, Moderator  
Tel 303-866-2976  
E-mail [nan.rickey@chs.state.co.us](mailto:nan.rickey@chs.state.co.us)
  - 2) Wayne Snider, Town Administrator, Fowler  
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  - 3) Tim Stroh, Architect – Source Architechnology  
Tel 719-635-8465  
E-mail [tim@sourcearch.com](mailto:tim@sourcearch.com)
  - 4) Gary Bergard, Performance Contractor – Honeywell Building Solutions  
Tel 303-442-5700  
Cell 303-589-5219  
E-mail [gary.bergard@honeywell.com](mailto:gary.bergard@honeywell.com)
  - 5) Ed Nichols, President, Colorado Historical Society & State Historic Preservation Office  
Tel 303-866-3355  
E-mail [edward.nichols@chs.state.co.us](mailto:edward.nichols@chs.state.co.us)
  - 6) John Canfield, Governor's Energy Office  
Tel 303-247-0193  
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## 5. What would the advantage be of keeping it as a historic building, shuttering it and essentially letting it deteriorate?

Choosing to maintain Park School as a Town-owned and unused building would not be fiscally responsible for the Town. While there are not currently any costs to the Town for this building, it is logical to assume that we will ultimately have to do something with the property to avoid liability and deterioration of the structure.

## 6. Choices if the building is not renovated:

- a. Give or sell the land, which eliminates future potential for a swimming pool, recreation/fitness center, since property would no longer belong to the Town
- b. Library would most likely be relocated to previous Cranston/ Hwy 50 location because it is owned by the Town. Facility, at cost to the Town, would need to be cleaned up before move.
- c. Town Hall would be relocated to the building with police department, thus eliminate space Town is using for incentive in recruiting Doctor.

## 7. Why can't the building be demolished and something else put up?

- a. **Cost of demolition.** It is estimated to cost \$250,000 - \$300,000 for mitigation of asbestos and lead paint, demolition and removal of building waste. The Town or new owner would have to carry the total cost. No grant money is available for demolition or building a new structure or structures. Entire costs would have to be carried by owner.
- b. **Cost of replacement.** No grant money is available for new structures or facilities and the entire costs would have to be carried by the Town. We obviously do not have the funds to do this.
- c. **Landmark designation.** The building and property has been designated as a Local Historical Landmark. As such, we cannot demolish, modify and/or sell the property without negotiations and approval from Otero County Historic Preservation Advisory Council and the Colorado Historical Society.

(continued on next page)

**8. What are the most cost effective & most fiscally responsible choices for the future of the Town?**

The best way to represent this is to consider two options –

- a. Staying where we are now and doing nothing.
- b. Rehabilitating Park School and consolidating municipal services and the Library on the site.
- c. **Versus status quo column:**
  - 1) **Staying doing nothing – no equity**
  - 2) **Rehabilitating Park School & consolidating services – Cost Savings to Town + equity**

Option	Annual Costs - Calendar 2010				
	Energy	Rent	Loan Payment	Total	Versus status quo
Staying where we are and doing nothing	\$ 8,098	\$ 8,400	\$ -	\$ 16,498	N/A
Rehabilitating Park School and consolidating municipal services and the Library on the site	\$ 10,419	\$ -	\$ 8,800	\$ 19,219	\$ 2,721

Option	20-year costs				
	Energy	Rent	Loan Payment	Total	Versus status quo
Staying where we are and doing nothing	\$ 281,157	\$ 291,642	\$ -	\$ 572,798	N/A
Rehabilitating Park School and consolidating municipal services and the Library on the site	\$ 361,740	\$ -	\$ 176,000	\$ 537,740	\$ (35,058)

**NOTES:**

- \* Assumes 5% annual escalation for rent and utilities.
- \* "Loan" is for the Town's cash match of \$130,000 that will be financed via a 20-year low interest rate (3.5%) loan.
- \* 20-year finance term at 3.5% interest rate.