

ASSET MANAGEMENT – FUTURE USE OF THE HAMILTON BUILDING

PURPOSE:

This document contains information on publicly owned property situated at 260 North Nokomis Avenue. The property, known as the Hamilton Building, is situated on a 35,852 square foot parcel* and contains one commercial building of approximately 9,388 square feet. The site is to the north and adjacent to the Venice Theatre parking lot and west of the KMI Bridge. The facility is currently under lease to Sarasota County. The County is planning to vacate the property in December 2018. The purpose of this document is to provide information on prospective future uses of the building and its surrounding property

BACKGROUND:

The Hamilton Building was constructed in 1988, and purchased by the City on September 10, 2015. The sale price was \$996,207. The previous address of the facility was 245 North Tamiami Trail. That address was changed through an FDOT road reconstruction process that included the realignment of Tamiami Trail and construction of the KMI Bridge.

The Hamilton building was formerly a commercial condominium facility with six separate business units. The City of Venice purchased the building and thereafter leased the facility to Sarasota County to be used as a temporary library while a new library was being constructed. The new library is scheduled to be completed in December 2018. In the lease agreement, the City assumed responsibility for maintenance of the Hamilton Building roof. The remainder of the work involved in renovating, upgrading, modifying and maintaining the building has been the responsibility of the County. Since executing the lease, the County has removed the interior walls that separated the individual business offices to create an “open space” design from which the library could operate. The estimated cost of improvements made by the County exceeds \$300,000.

POTENTIAL USES:

Anticipating the termination of the County's use of the building, staff was charged with the task of identifying potential future uses of the facility. Following is a listing of suggested future uses for the building and staff comments addressing each suggested use.

- Lease the building: Leasing the building would create an income stream. Based on a preliminary appraisal provided by a local real estate company, rental rates could range from \$16.00 to \$23.00 per square foot for retail use. The building approximates 9,300 square feet. Deducting space for common areas and/or building mechanicals, a conservative lease rate might approximate \$140,000 to \$160,000 per annum (based on market rental estimates).
- Sell the building: Initially, market value estimates from local real estate brokers approximate \$1,000,000. The estimates were based on area sale prices, ranging from \$64.83 to \$217.88 per square foot. Based on an average rate of \$116.60, the Hamilton building would be valued at \$1,084,380. Subsequently, the City engaged the real estate appraisal firm Hettema Saba to value the property. On November 13, 2018, the City received the appraisal report from Hettema that confirmed the current market value of the property to be \$1,000,000. The sale proceeds could be used to establish a revenue stabilization fund within the City's General Fund, supplement the funding of the new public safety building, or be used for any other purpose determined by the City Council.
- Retain the building and expand the City's museum, exhibit and research components: City staff developed an estimate of space needs to convert a portion of the Hamilton building to serve as an expansion of the City's historical resources complex. The uses in the Hamilton building would include: exhibit space, administrative office space, and customer service areas. The estimated space needs approximates 4,600 square feet; or approximately half of the building's size. The stated space needs does not include space needed for restrooms, break room, and meeting space. Under a public access museum model, these additional space needs would be added to the total space demand.

- *** NOTE: minor discrepancies exist among the various appraisal reports, defining the site size as 35,889 and 35,852 sq.ft. Similar variations occur among the reports for usable facility space- ranging from 9,388 sq.ft. to 9,518 sq/ft.**
 - Relocate the museum/archives to one site: A more inclusive proposal received was to relocate all of the historical resources elements currently located at the *cultural campus*: museum, archives and research center, administration and exhibits to the Hamilton Building, to be housed under one roof.
- Expand City Hall Services: Projecting the need for an expansion of office space for core City Hall services, it was suggested that the Hamilton Building be considered to accommodate that need. To develop an understanding of future space needs, the City contracted for a space needs study and assessment of City Hall space. Magnum Builders performed the study. The study recognized the cramped quarters of some City Hall functions and cited some possible physical expansion options, such as closing in the City Hall atriums and converting those areas into conventional office space.
- Employee Amenities: Among suggestions received from staff for potential uses of the Hamilton Building are:
 - create a gym and shower facility for City employees
 - modify the City's medical insurance plan to establish a voluntary health center/clinic to provide preventive medical care for employees and relatives
- Relocate VABI and other agencies: Venice Area Beautification, Inc. (VABI) currently occupies space in the adjacent building (former Chamber of Commerce office). One suggestion was to move VABI to a section of the Hamilton Building, and consider other tenants for use of the remaining space in the Hamilton Building. VABI has requested to be allowed to remain in their current location. Currently the VABI building is also used to store archived City Hall records. Additionally, with the support of VABI, Venice Mainstreet is planning to move its administrative offices into the VABI building.

ANALYSIS of Recommended Uses:

Lease the building: The opportunity to establish a new revenue stream is attractive. The potential net revenue is under review. Attached is a summary of area lease rates for commercial properties. A local realtor provided the data. Under a lease agreement, the City would retain ownership and duties associated with owning and managing a leased facility. If a lease option were elected the City would be responsible for facility maintenance and repair. Staff has determined that the building roof needs replacement. This is a capital cost, and not a repair. The estimated cost is \$125,000. Subsequent to the County vacating the building a more thorough examination of the building condition will be made. Also, the County modified the building interior to establish an "open space" condition for its library function. If the facility were leased to more than one tenant, the installation of internal separating walls may be necessary.

Sell the building: Selling the building at market rate is estimated to produce \$1 million. An updated market appraisal was conducted to confirm a projected sale value. The November 13, 2018 appraisal is attached.

Retain the building as a museum and exhibit site: The City has received offers to subsidize the creation and continuance of a KMI exhibit site. The offer to create the exhibit was for \$150,000. Naming rights are attached to that offer. Separate offers have been made to use private funds to sustain the exhibit site once it is created. Since the Hamilton Building is expected to be vacated soon, that building has been targeted by the donors as a

potential site for a KMI exhibit. Correspondence from various KMI supporters report that the KMI exhibit account holds between \$150,000 and \$166,000 for the on-going support and maintenance of the exhibit.

The City has received varying opinions on the prospect of relocating or creating museum and/or archive elements from the cultural campus to the Hamilton Building. Critics of the concept point to the loss of continuity

from the “cultural campus” and the pending obligations to former donors to operate the newly acquired archives and research center and the Triangle Inn in their current and future intended capacity.

City staff developed a start-up and on-going operating cost summary for use of the Hamilton Building as a museum annex. Start-up costs include the creation of exhibit space, internal facility design, and repairs to the roof. The start-up estimate is \$738,000. To operate the facility the annual facility operating cost with adequate staff is estimated to be \$141,430. This plan presumes the continuing operation of the current Historical Resources facilities (Laning Archives & Research Center, Triangle Inn, Lord Higel House). Therefore, there is no appreciable perceived reduction in the current cost of operating those buildings.

Recommendations:

Given the cost of adding the Hamilton Building to the on-going cost of the current historical resources capital properties, the expressed concern over disenfranchising museum and exhibit activities from the cultural campus, and the concern of contradicting the expressed intended use of funds from previous donors to the current cultural campus properties, converting the Hamilton Building to a museum annex and exhibit site is not recommended.

Expand City Hall Services: A space needs assessment determined that additional space for current staff and future growth is warranted for City Hall. At the same time, a funding source and additional considerations were reviewed for expanded workspace needs. First, the City retains a reserve account for Building Department capital needs that can support the physical expansion of City Hall to relocate and expand the Building Department function. The expansion will provide for a more suitable location for the Building Department interaction with public business (contractors, design professionals, individual permit applicants). The newly created space will allow for the repositioning of other City Hall functions for internal operating efficiency to best serve the public. The coincidental need for a new fire station and on-going work on the historic Lord Higel House provides an opportunity to approach updating of City Hall “block” from a strategic perspective. Paralleling the conceptual plans for an expanded City Hall, as preliminary plans are developed for a new Fire Station #1, design professionals will incorporate the collective needs for internal operating efficiency and public access needs among the two facilities, as well as future needs for the adjoining Lord Higel House, and develop a comprehensive City Hall campus model. With approval of this strategic campus design, future demands for staffing space and public access needs will be met within the City Hall campus.

With the opportunity to enhance the “City Hall campus” by expanding the current City Hall building to meet current and future staffing space needs as well as creating an improved physical plan to serve the public, it is recommended that City services remain at the current facility and not be relocated to the Hamilton Building.

Create a voluntary medical facility for City employees: To implement this suggestion would require a modification of the City’s health insurance plan. Start-up and operating costs are unknown. Also unknown is the potential *voluntary* use of such a facility by City employees. Implementing this plan is not recommended.

Create a gym/workout facility for City employees: The provision of a workout facility for City employees is incorporated into the City Hall “campus” model. Initial facility drafts for a new Fire Station #1 include a workout

and shower facility to be used jointly by Fire Department and City Hall personnel. Therefore, creating a workout facility in the Hamilton Building is not recommended.

Conclusions:

Several potential in-house City government uses or needs were suggested for space in the Hamilton Building. Those needs are being addressed at other sites, or not considered the best use of the Hamilton Building. Expansion of City Hall and the plan for a new Fire Station will better provide for City staff growth needs, as well as maintaining continuity of service to the public in the City Hall campus.

The City is currently addressing a number of public facility projects including: planning for construction of a new public safety building, planning for building a new Fire Station #1, planning for relocation of the Public Works Department once the Police Department moves into the new public safety facility, pursuing acquisition of land on which to construct a new Solid Waste & Recycling facility, completion of the remodeling of the new Laning Research and Archives building, completion of the restoration of the Lord Higley House, completion of the restoration of the Triangle Inn, and planning for construction of a new Airport administration building.

There is no immediate foreseeable need to maintain responsibility for another public building. The City could use income generated from a lease or sale of the Hamilton Building to offset some of the costs associated with the list of other facility projects. It is recommended that the Hamilton Building be put on the market for lease or sale. Each would produce a much needed revenue, one as a capital sale revenue and the other in the form of lease payments. Selling the building would also place the building back on the tax rolls and relieve the burden of future maintenance and capital repair.

Under a sale or lease agreement it will be important to provide continuing access to the VABI building; either through an easement or right-of-way (ROW). Also, a small portion of the Venetian Waterway Trail intrudes onto the Hamilton Building parking lot. An easement, ROW, or modification of the property boundary should be considered as part of a property ownership transfer. Finally, an emergency vehicle route abuts the Hamilton Building property from the east via a parking lot under the KMI Bridge. That route must remain unobstructed for public safety vehicle access.

There has been some public interest expressed in purchasing the Hamilton Building. To date, no inquiries have been received for a lease agreement. With Council support, the staff will arrange to publicly market the building for sale or lease.