Rodney Complex Initiative: Potential for Stormwater Improvements & Public Space Creation

March 15, 2017

Purchase and Sale Agreement Provisions

Agreement Highlights:

- The purchase price for the property is $2.1 million, subject to various capped price reductions.
- The minimum net purchase price is $1.4 million.
- Within 3 business days after the effective date of the Agreement (upon Council approval) Newark must deposit $50,000 into an escrow account.
- The net purchase price, upon its determination, may be paid to the University in annual installments of $350,000 over a maximum term of 6 years at 3% interest.
- The $50,000 deposit shall be credited against the net purchase price at closing and is refundable if Newark terminates the Agreement before the end of the first one-year inspection period.

Purchase and Sale Agreement Provisions

Agreement Highlights (continued):

- Title survey must be completed within 90 days of Council approval of the agreement.
- Newark will have an initial one year inspection period to complete due diligence with two (2), one-year extensions of the inspection period; taking the extension makes the $50,000 deposit become non-refundable.
- Newark retains the right to terminate any Brownfield Development Agreement or the Purchase Agreement at any time before the expiration of the original inspection period or extensions.
- Newark can extend the final closing date up to a maximum of 4 years if waiting for final environmental clearance from DNREC.

Projected Timeline

Upon affirmative vote by Council, the following timeline will commence:

2 MONTHS **RFP issued** for engineering, design and environmental services

5 MONTHS **Due diligence** phase of agreement, including:

- Review Phase 1 environmental and provide direction regarding Phase 2, etc.
- Assist with the application/approval for Brownfield Certification and Stormwater improvement identification with City PWWR Staff
- Begin efforts for preliminary design to facilitate public meetings

1 MONTH **Public meetings** held to determine scope of project

2 MONTHS **Preliminary design and cost estimate** made to Council to facilitate referendum recommendations

4 MONTHS **Referendum preparation** to include:

- Delineation of the question to citizens to outline cost for purchase, design, construct and costs to residents
- Confirmation of polling places and available dates (aim for April 2018 council election)
- Council approval of the Question(s) and date of referendum at Council Meeting

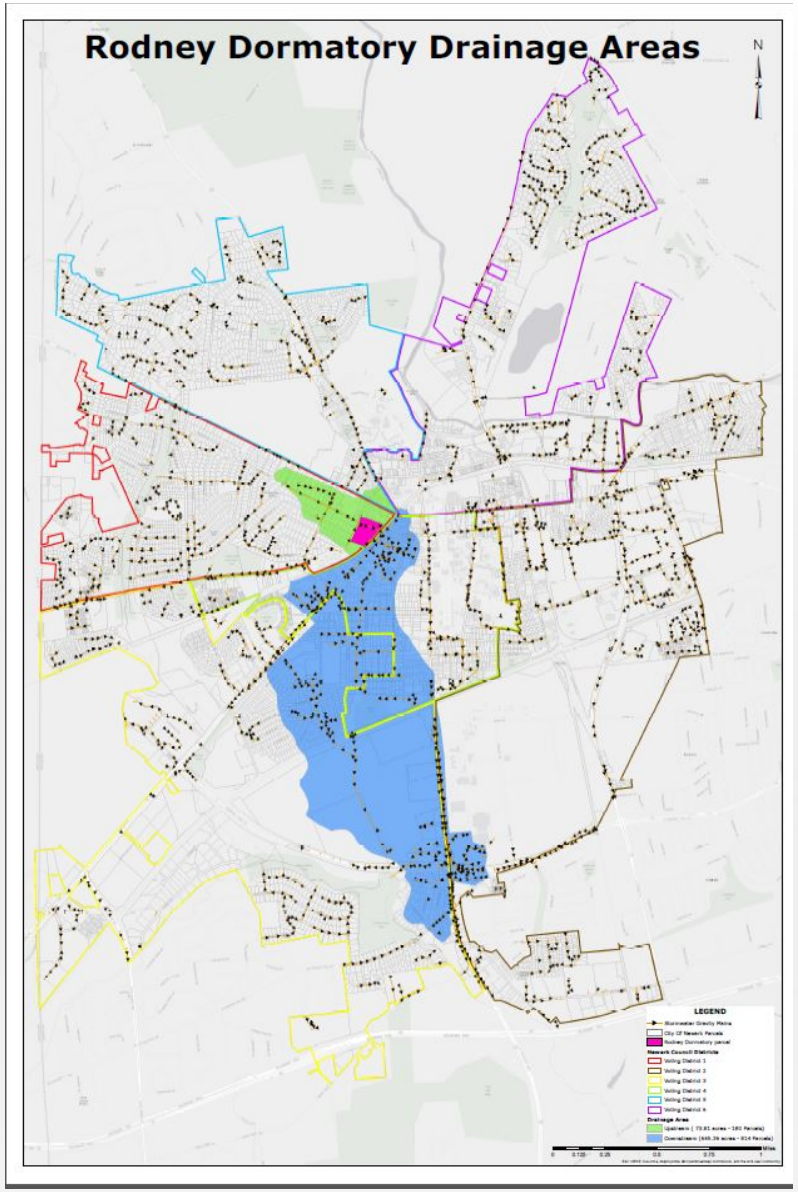
2 MONTHS **Referendum advertised and held (April 2018)**

Projected Timeline:
Pending Positive Vote on the Referendum

2 MONTHS	**Finalize** purchase of the property
6 MONTHS	**Design** is finalized
3 MONTHS	**Bidding and Council approval**
3 MONTHS	**Construction** commences with building demolition
24 MONTHS	**Final Plan of Remedial Action from DNREC**
3 MONTHS	**Preparation of the Long-Term Stewardship Plan (if necessary) and preparation of the Environmental Covenant (completed concurrently)**

Stormwater Benefits of the Rodney Project

- Potential for up to 70% runoff reduction from area draining to site and could eliminate flooding at the Rodney underpass and on South Main Street.
  - Positive impact on downstream including flood-prone Silverbrook and Devon area.
  - Scope of project will include downstream analysis that will aid in determining future improvements.
  - Stormwater Quality Improvements and National Pollutant Discharge Elimination System permit compliance, avoids costs of compliance elsewhere in City.
  - Approximately 10% of the drainage area at Silverbrook is the area upstream of Rodney Underpass. A stormwater pond has the potential to take this runoff out of the downstream equation.
- Formal Engineering Study will be required before design is finalized.
- Private development would not positively impact downstream conditions and would add traffic to Hillside Road and Cleveland Avenue.
- Costs are shared by all property owners through City's proposed Stormwater Utility, not just taxable lots.



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Parks and Recreational Benefits of the Rodney Project

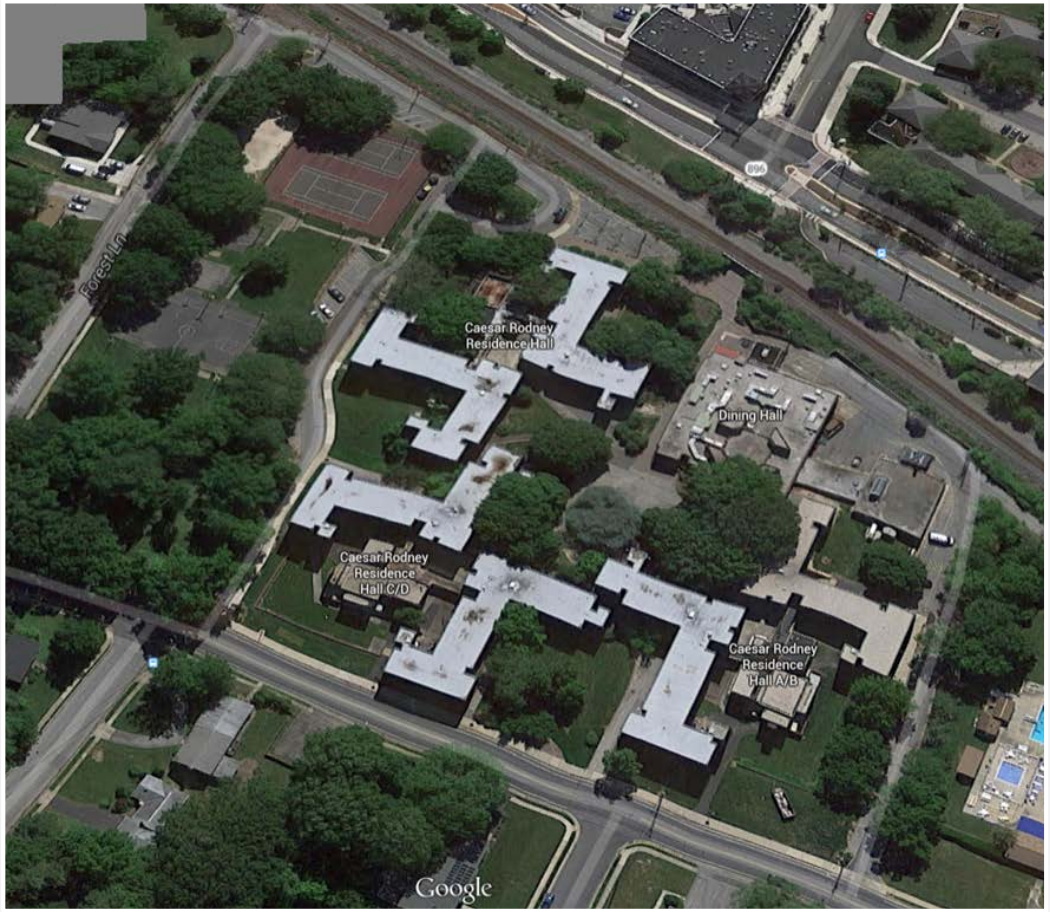
- Parks and natural areas play a key role in improving the health and wellness of adults and children.
- Create a more attractive community in which to live, work and play.
- Provide environmental, aesthetic and recreational benefits to Newark with supporting research to indicate homes located near parkland have an increased property value.
- Recreational amenities and greenspace would be in close proximity to expanding Downtown.
- Added features would likely include: a walking/jogging trail, outdoor classroom and amphitheater, informational kiosk about storm water management and history of the area.
- Habitat creation/sustainability.
- Outdoor classroom for area schools for environmental education.
- Curtis Paper Mill Park is an example of what type of transformation can take place. A dilapidated former factory transformed into a park the entire City has embraced with informational kiosk to capture the rich history of the area.

Engineering Design and Project Management

- Engineering consultant to lead public outreach, prepare conceptual plans, navigate brownfield program and prepare draft and final construction plans and specifications.
- Currently at shortlist stage of Engineering Services Contract process with three firms.
  - Each firm will be given scope of work to create project schedule including major milestones and cost estimates for each milestone.
  - Firm will be selected by City Project Committee; scores based on experience specific to this project including:
    - Stormwater Facility Design
    - Hydraulic and Hydrologic Analysis
    - Brownfield Development Process
    - Landscape and Park Facility Design
    - Pedestrian Connectivity
- Council awards RFP contract to firm.
- Selected firm will begin public engagement process.
- Conceptual plans will be developed after first round of public input meetings.
- Current Engineering consultant has begun the process for application for Project Planning Grants and Project Planning Advances in order to hit target 2017 deadlines for available funding.

Vision

Now



Concept

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Representative Projects

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Educational Possibilities

What Have We Accomplished So Far?

- Real Estate appraisal.
- Planning Commission meeting.
- Existing Conditions Traffic Study performed (prior to closure of dorms).
- Phase I and Phase II Environmental Site Assessments (ESA) including asbestos identification and sampling.
- Preparation of demolition estimate.
- Special Council hired to negotiate Purchase and Sales Agreement with the University.
- Initial discussion of project and entering the State Brownfield program with DNREC.
- Finalized terms of preliminary Purchase and Sales Agreement with University - subject to the final approval of Mayor and Council.

What Have We Accomplished So Far?

- Development of RFP for Engineering and Project Management Services for Rodney Dormitory Complex - The successful firm would be expected to represent the City in the following manner:
  - Review and provide recommendations related to Phase I and Phase II ESA
  - Public outreach and involvement
  - Brownfield Certification Assistance
  - Environmental remediation leadership and direction
  - Site design and construction contract development
  - Referendum preparation support, bidding and award assistance
  - Project management
  - Brownfield reimbursement documentation support
  - Inspection and certifications

Funding/Referendum

ESTIMATED COSTS		SCENARIO 1		SCENARIO 2
Purchase Price	$	2,100,000	$	2,100,000
Demolition Cost	$	2,650,000	$	2,650,000
Engineering, project management, construction management	$	250,000	$	250,000
Estimated construction costs for recreation	$	1,000,000	$	1,500,000
Escrow Payment to UD	$	50,000	$	50,000
Reimbursement of Current Expenses incurred	$	155,000	$	155,000
Estimated Gross Cost:	**$**	**6,205,000**	**$**	**6,705,000**
Reduction to purchase price for demo per UD contract	*$*	*(700,000)*	*$*	*(700,000)*
Referendum Need:	**$**	**5,505,000**	**$**	**6,005,000**
Less Estimated Grants:				
Brownfield Funding	*$*	*(1,000,000)*	*$*	*(1,000,000)*
Surface Water Matching Planning Grant	*$*	*(50,000)*	*$*	*(50,000)*
Planning Advance	*$*	*(50,000)*	*$*	*(50,000)*
Sustainable Communities Planning Grant	*$*	*(80,000)*	*$*	*(80,000)*
Total Estimated Grant Funding:	*$*	*(1,180,000)*	*$*	*(1,180,000)*
Total Cost to City After Brownfield/Grants	**$**	**4,325,000**	**$**	**4,825,000**

Funding/Referendum

Potential Sources of Funding:

Project Planning Advance Program – Pays 50% of the preliminary engineering report and referendum costs up to $100,000 maximum. Half of the advance is a grant, and the remaining half would be an advance on the principle from the state revolving loan. If the referendum fails, the entire amount is forgiven.

Surface Water Planning Grant – Can be utilized for the feasibility study. Up to $50,000 maximum would be available as a 1:1 match.

Sustainable Communities Planning Grant – Up to $80,000 supports planning and assessment projects that improve a community's economy, environment and public health.

DNREC – State Revolving Loan (SRL) Program – 0% loan for land purchase, and a 2% loan for eligible items other than the land itself. Payback period would be twenty years. Minimal closing costs (estimated $5,000).

Bond Market – Depending on what is not eligible for funding through the SRL, bond funding could be used to make up the difference.

Line of Credit/Loan – May be advantageous to secure a line of credit while the project is underway, then go the bond market once the project is completed.

Why Approve Now?

The Federal Reserve is expected to increase the federal funds rate two more times in 2017, which would increase the total cost of the loan by an estimated 50 basis points (75 total for 2017).

State Revolving Loan rate is locked in through the end of 2017 – as we apply for the loan and DNREC approves the project.

Acting now gets the City in front of other municipalities vying for access to limited state grants and the revolving loan pool.

ESTIMATED TOTAL COST TO FINANCE PROJECT

	State Revolving Loan	Bond Market
Loan amount	$ 6,000,000	$ 6,160,000
Annual interest rate	2.0%	3.65%
Loan period in years	20	20
Annual Payment	$ 364,236	$ 434,426
Total interest	$ 1,284,720	$ 2,528,515
Total cost of loan	$ 7,284,720	$ 8,688,515
Total Cost Difference		$ 1,403,795
Annual Cost Difference:		$ 70,190

The City would need to purchase 17 to 24 properties as they become available to make up for the size of the Rodney parcel. Could take decades to accomplish and cost millions more.

What if the City does not purchase the Rodney Tract?

- The City would need to acquire an equivalent of 17 to 24 homes within the drainage area in order to make up for this area needed for Newark's stormwater issues.
- Would either need to wait decades as they became available, or use the condemnation process to acquire the properties. Condemnation process will add significant legal and administrative costs.
- Estimated total market acquisition cost for just potential homes purchases are $4.3 to $5.7 million, depending on which area is selected. Highest best use would need to be paid for condemnation process increasing this expense significantly.
- Estimated demo of 17 to 24 homes would be $200,000. Construction costs are estimated to be similar to the Rodney Tract but would require additional investigation.
- Total estimate is $8.2 to $8.7 million in today's dollars. Stormwater issues would continue for years until the final parcel is purchased and construction can begin.
- City would lose brownfield reimbursement opportunity of approximately $1 million and UD reimbursement of up to $700,000.

Available Information on Website

- A "Green" Place to Live
- Green Energy Programs
- McKees Solar Park
- Online Tools and Resources
- Stormwater Proposal – Rodney Dormitory Site

Home › Residents › Green Newark › Stormwater Proposal – Rodney Dormitory Site

Stormwater Proposal - Rodney Dormitory Site

Document	Date
Purchase and Sale Agreement - Rodney Dormitory Parcel for Primary Development of a Stormwater Facility	March 10, 2017
Environmental Reports Phase II	March 8, 2017
Environmental Reports Phase I	March 8, 2017
Rodney Complex Presentation	February 27, 2017
University of Delaware - Rodney and Dickinson - Highest and Best Use Appraisal	February 24, 2017
Potential for Stormwater Improvements and Public Open Space	February 24, 2017
City of Newark - Appraisal Rodney and Dickinson Properties	February 24, 2017
DRAFT timeline for Project - Subject to Change	February 24, 2017

Questions/Comments?