



MEMORANDUM

To: Mayor and Members of the City Council

From: Montre' Freeman, City Manager
Sean Clark, EC-PC Parks & Recreation
Deborah Malenfant, Elizabeth City Downtown, Inc.

Date: January 19, 2024

Re: Consideration – Construction Change Order Request / Adjustment to Former ECHS / ECMS Lease Document

BACKGROUND:

During its June 27, 2022 meeting, the City Council voted to approve a lease for the former Elizabeth City Middle School gymnasium to begin no sooner than August 1, 2023, for a period of 20 years, with an offer to purchase option between year six and year seven. The developer has been working on the renovations and improvements to the gymnasium, with communications and input from the Parks and Recreation Department.

The lease allowed for the property owner to complete the renovations specific to the gymnasium at a predetermined cost calculation -- Work Cost multiplied by Cost of Funds plus Property Taxes. The 20-year lease term would commence at the time of completion of the gymnasium (not before August 1, 2023) and has a buyout option between years six and seven.

A budget of \$1,937,262 was set for the agreed-upon scope of work. With the existing lease, estimated annual lease payments would commence at start of the lease in the amount of \$155,000-\$165,000 annually. The breakdown of those lease payments are estimated to be: City \$69,750-\$74,250 and County \$85,250-\$90,750.

The scope of work in the approved project scope included refinishing, but not replacing the gymnasium flooring. As the contractor began to prepare for that work, both termite damage and water damage was discovered when some of the flooring was pulled up for inspection. More flooring was pulled up for investigatory purposes and to determine if it was in one section or throughout. It was determined that the damage affected a large enough portion of the gymnasium flooring that it was brought to the attention of the Parks & Recreation Director for consideration. The City Manager and County Manager also met on site to review the damage and agreed that it was extensive enough to recommend replacement.

The flooring could have been repaired and refinished as originally planned, within budget; however, with the damage to the subflooring and the damage to the flooring itself, this would be considered a temporary, but not optimal fix. The flooring would likely have to be replaced in five (5) to seven (7) years with this option.

Another option was to remove the existing flooring, repair the damaged floor foundation, and replace the gymnasium floor with new flooring. This option would cost an additional \$120,000. The contractor agreed to amortize the additional cost into the project cost and make it a part of the lease. This option would affect the monthly lease payment by \$820 per month (City \$369; County \$451). If the City exercises its option to purchase the property at Year 7, it would increase that purchase price by \$103,000. It would require City Council action to approve a revised lease.

ANALYSIS:

Parks and Recreation feels that the best long-term and most cost-effective option is to repair the floor foundation (sub-floor) and replace the gymnasium flooring with new flooring. In comparison, the quotes received for the replacement of the gymnasium floor at Knobbs Creek Recreation Center are well over \$300,000.

This information was presented to the Parks and Recreation Advisory Board at their meeting on December 5th, at which time they voted unanimously to support the removal, repair of floor foundation (subflooring), and replacement of the gymnasium flooring with new flooring and to recommend rolling the additional cost into the lease. No other lease items will be changed, other than the total project cost, the payment information, and the buyout price at Year 7.

STAFF RECOMMENDATION:

By motion, approve an adjustment to the ECMS gymnasium lease document to include the cost of replacing the gymnasium floor.