



MEMORANDUM

TO: Mayor and City Council

FROM: Veronica Briseño, Director, Economic Development Department
Alex Gale, Interim Director, Office of Real Estate Services

DATE: February 4, 2020

SUBJECT: Estimated Costs and Timeline for Temporary Occupancy of 1215 Red River
(former HealthSouth Property)

During the Council Work Session on January 21, 2020, City Council members asked staff to provide estimates on the costs and timeline to convert the former Health South facility temporarily to housing for the homeless. On November 14, 2019, staff responded to a similar inquiry related to Council Agenda Items 96 and 97: "Please provide the capital cost estimate for the immediate and critical repairs required to utilize HealthSouth on temporary basis (1-2 years) as an emergency shelter." This memo provides staff's best estimates on costs for such a conversion and an updated timeline. Per Council Resolution 20181004-042, the property is currently the subject of an open solicitation (RFP 5500 SMW3002) and as such, the term of any temporary use would need to respect the occupancy timeline negotiated with the successful proposer.

Since no property condition assessment has been done on the former HealthSouth facility, the full extent of repairs is unknown. The range of estimates are based on expenditures to date by Building Services Department (BSD) to simply maintain the building, as is, and staff's collective professional experience based on major renovation projects. Staff from BSD, Real Estate Services, Economic Development, Public Works, Code Enforcement, and Fire were consulted. Building Code requirements are such that to convert the building to residential use, even on a temporary basis, does not substantially reduce costs. **Staff estimates that to convert the building to residential use it would cost between \$2.5-6.6 million and take 24-30 months.**

Timelines for the solicitation and requirements for conversion temporarily to residential use is included below for both capital expenditures (Table A) and professional services (Table B). Professional services are costs such as design, planning and permitting needed to complete the conversion and are based on typical public project costs for older buildings with lead-based paint, asbestos and other issues. Please note these estimates do not include operating costs, such as staffing, security, janitorial, furniture, equipment, utilities, insurance, etc. The estimates also do not include renovation of the therapy pool.

Table A: Estimated Capital Expenditures, as of November 2019

Item	Notes	Cost –Low	Cost - High
New heating & AC system	Original system was joint with Central Health and recently demolished; currently using a temporary chiller & boiler	\$750,000	\$2,000,000
New mechanical control system	None currently exists	\$100,000	\$300,000
Domestic Water connection	Due to CH demolition, currently water meter from fire hydrant on Sabine	\$100,000	\$500,000
Roof replacement	Currently being patched regularly	\$500,000	\$1,500,000
Restore commercial kitchen	Estimates based on experience with renovations – no condition assessment	\$100,000	\$500,000
Laundry services	Estimates based on experience with renovations – no condition assessment	\$100,000	\$300,000
SUBTOTAL	Capital (hard) costs	\$1,650,000	\$5,100,000

Table B: Estimated Professional Services, as of November 2019

Item	Notes	Cost –Low	Cost - High
Project management & design	Architect, engineers, project manager, other professional services	\$350,000	\$350,000
Permitting	5% of total	\$100,000	\$272,500
Contingency	15% of total	\$300,000	\$817,500
Building costs	Ongoing maintenance of building during design	\$60,000	\$100,000
SUBTOTAL	Professional Services & other (soft) costs	\$810,000	\$1,540,000
TOTAL, ALL COSTS		\$2,460,000	\$6,640,000

1215 Red River / 606 East 12th Timelines for Future Use (January 2020)

2019	2020	2021	2022
Request For Proposals = No fiscal impact			
<ul style="list-style-type: none"> • Solicitation Issued 11/18/19 	<ul style="list-style-type: none"> • Pre-Proposal Meeting & Tour 1/14/20 • Proposals due 3/26/20 • Council selects Proposer • Initial agreement negotiations begin 	<ul style="list-style-type: none"> • Initial Agreement Executed • Final Agreement Executed • Sale /Lease Of Site 	<ul style="list-style-type: none"> • Site Under Development
Interim Use of Site (Building & Garage) = Estimated \$2.5-6 Million			
	<ul style="list-style-type: none"> •Site assessment •Determine uses •Complete design 	<ul style="list-style-type: none"> • Secure Permits • Begin Construction • Choose Facility Operator 	<ul style="list-style-type: none"> • Complete Construction • Occupancy in mid to late 2022



Please do not hesitate to contact Margaret Shaw at 512.974.6497, if you need any further information.

cc: Spencer Cronk, City Manager
 Nuria Rivera Vandermyde, Deputy City Manager
 J. Rodney Gonzales, Assistant City Manager