



Agenda Item: Debrief on Stewart Beach City Council/Park Board Joint Meeting and Next Steps.

Background:

The recent City Council/ Park Board meeting posed several topics, including; process for the creation of a development plan for Stewart Beach park, procurement and planning processes, City Council communications regarding development, ability to self-fund (publicly funded) park development and potential legal obstacles to development.

The following information is presented for review and consideration and provides background information, except legal issues. Over the past 7 years (2014-2021), \$440,000 has been expended in park planning processes. An additional, \$ 310,000 has been expended in planning and engineering work specifically related to drainage at Stewart Beach. The work done to date at Stewart Beach has been financed by grant funding and oil spill recovery allocations. Regular revenues from the Park have not been activated for this process.

Planning and Procurement Processes

Original Concept and Amenity Work

The Stewart Beach effort started in 2014 with the goal of replacing deteriorating park facilities, improving the visitor experience, and incorporating elements in the Park that would be of interest to residents. By this time, the Pavilion was already showing significant signs of the decay (spalling.) Initial efforts focused on 1.) identifying desired amenities, 2.) connecting East End parks, 3) proposing resolutions for traffic concerns and 4.) establishing Stewart Beach as a beach destination.

Houston firm, Knudson Architects, was engaged on 4/15/2014 with final documents presented to the Board in early 2014. This represented a \$70k investment and produced a conceptual Master Plan for the East End Parks. The Plan was presented and accepted by City Council in 2015. The plan is a high density, high intensity use strategy promoting “the power of 10” which refers to the provision of services to ten separate user groups to ensure year-round visitation. Numerous amenity features, continually researched and scoped, are identified in the plan.

Specific Building Programming and Designs

After a competitive bidding process designed to engage architects to assist with building programming, conceptual design and costing, the Park Board selected Houston/New York based Roger’s Partners 3/2017. The initial contract concluded 3/2018 and represented a \$130k investment. The initial plan detailed programming needs (office, operational, retail space allocations), identified durable materials,

and proposed a rendering of a pavilion inclusive of all proposed operational, public and entertainment space. This plan was presented at a Joint workshop 4/2018 and feedback was provided, specifically regarding potential on-going operation and maintenance costs.

Review of Operational Costs and Potential Earnings

Subsequent to this feedback, the Park Board re-engaged Roger's Partners to conduct research, through a third party firm, HR&A to develop a programming strategy and operating budget for the Pavilion. This method ensures that there is a clear and rational operating model and that there is an accompanying revenue source(s) for the long-term future of the facility. This work concluded 8/2018 at a cost of \$33,000 and was shared at a Joint meeting on 11/2018. Feedback was provided, specifically related to the role of the building in the overall master plan of the Park, the need to remove administrative and storage needs from beachside real estate, and the desire to progress the "cluster concept" (or more recently, mobile amenities).

Master Plan Updated

Following this feedback, the Park Board engaged Roger's Partners in an update of the conceptual master plan created by Knudson. Rogers conducted the SB Masterplan Update, Program Confirmation & Siting Study & Mobile Amenities study and concluded 4/2020, for a cost of \$167k. Several sustaining concepts came out of this study; 1.) designs and renderings for the mobile amenities, 2.) proposal for a secondary structure directly off the seawall that could serve as a visitor center and high ground for storage and 3.) negotiations and confirmation with the GLO of availability to site new construction.

Site Preparation

During this time, the Park Board moved steadily forward on preparing Stewart Beach for future development, specifically improvement of drainage flow on the property. Atkins was contracted in 7/2016 to conduct studies at both East & Stewart Beach at a cost of \$233k and concluded the study in 2017. This study considered numerous alternatives for the drainage problems and initial estimated costs.

Upon conclusion of the initial study, Atkins was re-engaged in 2019 to develop specific engineering specifications for Stewart Beach. This was a \$77k effort. Currently, Atkins is under contract to prepare the project for bidding and to perform construction management.

Public Private Partnership

The November 2018 Joint City Council/ Park Board meeting gave specific feedback to the Park Board that the proposed pavilion project was overly ambitious in terms of cost. The construction of the pavilion was envisioned to be funded, like the work undertaken to date, through grants and outside support.



Following on this feedback, the Park Board sought outside expertise through a published solicitation which concluded with the contracting of the international real estate firm, Jones Lang Lasalle (JLL). The firm was under the direction of a Task Force comprised of both City Council and Park Board members. The task force reviewed the 'best and highest' use of the property, compared opportunities to similar destinations, and advised the Task Force on opportunities to attract private sector investment. The Task Force issued, under approval from City Council, a Request for Qualifications (RFQ) from interested firms. To date, \$40,000 has been expended under the JLL effort to attract private sector funding.

The next proposed step was to develop, under approval from City Council, a Request for Proposals (RFP) that was to be issued to two qualified candidates. City Council deferred approval on this item at the 1/2022 Joint meeting, after it originally requested this process. Since that time, the Park Board (tasked with the management and control of Stewart Beach under long established City ordinance) has been told that it is the Council's intent to reconstitute the Stewart Beach task force under the management of the City and to assign the task force to return to City Council within 30 days to provide additional information relative to what services and amenities can the Park build with 1.) public resources, 2.) private resources, including a hotel option, or 3.) private resources, without a hotel option.

Stewart Beach Pavilion & Mobile Amenities

In the meantime, the pavilion has continued to deteriorate to the extent that the building must be decommissioned immediately. To that end, all operational and retail functions- with the exception of Beach Patrol- have vacated the facility and are operating tentatively in alternative spaces, including Park Board Plaza.

Mobile amenities have been approved and the first pilot project is underway.

Ability to Self Fund Improvements

The ability for the Park to carry debt is not a complicated calculation and can be determined using current revenue (or projected revenue) streams.

Currently and on average, SB operations generate roughly \$1.0 to \$1.1 million per year in operational revenue and \$900k to \$1.0 million in operational costs, resulting in a net operating income average of \$100k to \$200k. The projected debt service expense for the current mobile amenities project is at \$86,500 per year over the next 7 years. That leaves SB with about \$13,500 to \$113,500 per year to service additional debt. That's enough to finance 1 to 2 additional mobile amenity projects.

SB would need \$325k of annual net operating income to service the debt on a \$5 million pavilion construction project. To do that, SB would need increased operational revenue or reduced operational costs.

The numbers:

Stewart Beach	Actual 2017	Actual 2018	Actual 2019	Actual 2020	Actual 2021	Average
Operational Income	1,117,983	1,273,101	1,081,609	861,205	1,023,093	1,071,398
Operational Expense	1,037,457	1,009,461	1,157,140	745,045	845,730	958,966
Net Operational Income	80,526	263,640	(75,530)	116,160	177,364	112,432

