

TOWN OF HILTON HEAD ISLAND PUBLIC FACILITIES COMMITTEE

Date: October 6, 2009

Time: 2:00 P.M.

Members Present: John Safay, George Williams, Drew Laughlin

Members Absent: None

Staff Present: Scott Liggett, Charles Cousins, Marcy Benson, Heather Colin, Randy Nicholson, Steven Markiw, Brian Hulbert, Jeff Buckalew, Teri Lewis, Richard Spruce, Nicole Dixon, Mike Roan

Others Present: Tom Peeples, *Mayor*, Ken Heitzke, Bill Ferguson, Bill Harkins, *Councilmen*, Frank Soule, *Island Recreation Center*, Cindy Chiapetta, *Art League of Hilton Head*, Luther Strayer, *Palmetto Rowing Club & Carolina Sailing Center*

Media Present: None

1. Call to Order.

The meeting was called to order at 2:00 P.M.

2. FOIA Compliance:

Public notification of this meeting has been published, posted and mailed in compliance with the Freedom of Information Act and the Town of Hilton Head Island requirements.

3. Committee Business:

- Councilman Williams moved to approve the Minutes of September 1, 2009. Councilman Laughlin seconded the motion. The Minutes of September 1, 2009 were unanimously approved.
- Councilman Williams moved to approve the proposed 2010 Public Facilities Committee Meeting Dates. Councilman Laughlin seconded the motion. Councilman Williams stated there might be a conflict with the December 7th date as new Council members will be sworn in. Chairman Safay stated he thought if there was a conflict it could be taken up at that time. The proposed 2010 Public Facilities Committee Meeting Dates were unanimously approved.

4. Unfinished Business:

None

5. **New Business**

Sailing and Rowing Center Proposal

Marcy Benson, Town of Hilton Head Island Grant Administrator advised staff recommends Town Council provide direction in advancing the proposal for a sailing and rowing facility.

To give some background, Ms. Benson stated in June 2005, a citizen's group of sailing and rowing supporters approached Town Council with a request to construct a sailing and rowing center on Town owned property. Working with the Parks and Recreation Commission, Town staff and the now disabled water sports committee evaluated seven Town owned properties to identify which location had the best potential to develop a sailing and rowing center. In June, 2006, an eighth Town owned property, the former Seafood Co-op site on Squire Pope Road was evaluated and became the location recommended for the sailing and rowing center. At this time, the citizens group acknowledged their organization would begin a fundraising effort to provide \$1 million to build the facility. The original construction cost estimate developed by the citizen's group indicated a cost of \$1.5 million to complete the facility, with a cost of approximately \$500,000 to be borne by the Town.

In 2007, Town Council approved the concept of developing a sailing and rowing center. Subsequently, in 2009 Town staff, representatives from the sailing and rowing groups, the neighborhood property owner's association and the Hilton Head Island Recreation Association updated the facility proposal. The current proposal includes some of the following key elements for the facility.

1. Fishing & Crabbing Dock
2. Sailboat Dock with Boat Storage
3. Community Pavilion
4. Rest Rooms
5. Playground
6. Boat Ramp
7. Staff Office and Equipment
8. 35 Parking Spaces

The original construction estimate of \$1.5 million was prepared in 2005. Currently staff along with the group that has been meeting since this past April revised this cost estimate with updated numbers. The projected cost is now \$2.4 million.

If this project were constructed in phases, phase one construction would cost approximately \$1.6 million. The Carolina Sailing Center has proposed to raise approximately \$100,000 and donate existing equipment for use at the proposed facility. The total donated funding for phase one would be approximately \$430,000. The Town's cost for phase one would be approximately \$1.1 million.

We also included an estimate of annual operational costs for two different types of facilities. One facility would be staffed with personnel from The Island Recreation Association. The estimated annual operational cost for the staff facility is just over \$260,000/year. Of this amount, approximately \$200,000 would come from the Town General Fund and the CIP budget and the remainder would come from various facility programs. For a non-staff facility, the estimated annual operating

cost is approximately \$65,000/year. Of this amount, \$29,000 would come from the Town General Fund and the remainder would be funded through various programs and facilities.

Councilman Laughlin asked what type of equipment the Carolina Sailing Center is donating. Ms. Benson responded they would donate boats, paddles and anything that would pertain to operating any of their sailing programs.

Councilman Laughlin sought confirmation that if it was to be a staffed facility, we were estimating annual operational costs of \$260,000 and the source of funds would be in part \$200,000 from the Town General Fund and CIP Budget. Councilman Laughlin asked how the CIP Budget would fund operational costs of this facility. Ms. Benson stated it would be for any general improvements that might need to be made throughout the year. Councilman Laughlin questioned the fact that we are figuring improvements as part of the estimated operational costs. Ms. Benson stated that was correct. Councilman Laughlin stated that it didn't sound like operational costs to him.

Mr. Frank Soule from the Island Recreation Association stated the way they handled the staffing portion of the budget is that they would make the facility a seven day a week facility if they had staff down there. The capital improvements are similar to what is done for the Island Recreation Center. As needed, the Town has always supported in developing or helping us put in new air conditioning or something along those lines. For that reason I created a sort of start up budget which would have CIP going beyond what the Sailing and Rowing Center would provide, but also the CIP Budget would be one time expenses. Part of that budget would include a truck for operations and more of a staff type operations and that is how the CIP Budget became part of what Ms. Benson has presented.

Councilman Laughlin stated his basic concern was that the estimate construction cost seems to include items that don't sound like construction costs to him and the operational costs seems to include items that do not sound like operating costs. Mr. Soule stated as far as the construction costs, the reality of it is there is going to be additional start up costs and they decided to put it on the construction side, but it could go either place.

Councilman Williams stated he finds it very hard to believe that the costs are so much higher in 2009 than they were in 2005 with the economy we are in. Councilman Williams advised he would like to see some kind of comparison between what was included in the original estimate and what is included now and what the differences are. In other words, how has this project grown beside the Pavilion?

After a lengthy discussion, Chairman Safay stated the Committee was asking staff to bring this back to them again and asked Mr. Soule in particular to take a look at some of the numbers again and also, whether there is a way to phase in some of the activities. Chairman Safay stated to Mr. Soule he needs to assume the worst case scenario. Assume that even though we know the people that are involved with this project will be pitching in, let's just assume for the sake of being conservative that they are not there and see what the worst case scenario is in the event we have to go through a period when we don't have that kind of loyalty to the project and then we

could work our way backwards. Chairman Safay said his concern is where is the money coming from in the first place? The original program was predicated upon the Rowing & Sailing Center having a fund raising program and they were going to be coming in with approximately \$1 million. Based on that, the Town came back and said if you do that, we will provide some property and some additional funding. Now there are a lot of new realities and the new reality is that the \$1 million is more like \$100,000 and the fund raising effort is not materializing and it may actually be impractical for it to materialize in this environment. Town Council has agreed this is a good project and we want it on our Island. The question starts to become for us now and for the Council whether or not we will recommend that we go forward with this and recommend that Town Council take on this greater burden financially.

Councilman Laughlin stated the numbers provided don't seem particularly useful with having 2005 numbers put together by proponents that are four years old and having operational cost numbers that basically aren't based on any particular operational program. Councilman Laughlin advised he also thinks this is a good idea, but the financial support for it apart from what the Town would be asked to do seems to have evaporated. I am particularly concerned about if you build it, what do you do with it. What does it cost on an annual basis in operational costs and where does that money come from? Does the Town end up being in the sailing and rowing business?

Councilman Williams stated he doesn't believe we have the proper documentation or all the details to send this to Town Council. Councilman Williams asked Mr. Soule to go back and say that under these conditions, what the Island Recreation Center estimates the total cost of will be. That will give us a true operating cost similar to what we get from the Island Recreation Center every budget time. Also, a review of what is different in this package vs. the previous package as far as costs are concerned would be helpful. Then, bring it back to us so the Committee can say we like this or not and then we send it to Council with a yea or nay.

Councilman Laughlin stated originally the question was if we could raise the bulk of the money to build it and operate it, would the Town contribute some money, some expertise and a site? Now the question seems to be is the Town willing to provide the site, build it and operate it. That is a whole different question.

Chairman Safay asked staff if there was anything the Committee could provide them as far as a request to come back to us with additional information. Charles Cousins stated it is clear what the Committee is asking for and they will get the information for them.

Mall at Shelter Cove Community Tenant Space

Heather Colin stated staff recommends Town Council select the Art League of Hilton Head to sublease the Community Space at the Mall at Shelter Cove from the Town of Hilton Island.

To give some background, Ms. Colin stated on July 7, 2009, Town Council approved a zoning amendment to the Palmetto Dunes Resort Master Plan, giving the Mall at Shelter Cove approximately 40,000 square feet to potentially construct a cinema complex. In conjunction with that, there was also a Development

Agreement that was approved which included leasing space to the Town for the purpose of a community service space of 4,532 square feet.

On June 16, 2009, this Committee and Town Council approved the process that staff would go through and follow to ultimately give that space to a community service organization. Part of that included qualifications on the group that would ultimately get the space as well as a selection criteria and the procedure we would follow. The first step was publishing an advertisement in The Island Packet and leaving that application deadline open for 45 days. That was done on August 2, 2009 and the deadline was September 16, 2009. There was a mandatory Pre-Application Meeting on August 18, 2009 at the Mall for any interested groups to come, look at the space and see if it met their needs and decide was it to their best interest to follow the procedure. Approximately seven different organizations came and looked at the space. We left a period of a week open for anyone to submit questions to staff. We then responded in writing to all the interested groups to make sure everyone had the same information available to them. There was then another meeting where the Mall opened up the space for anyone who wanted to take a second look. We also had a meeting with the Building Code Department to answer any questions that interested parties had concerning any up-fits they may do so that everyone knew upfront what the potential costs would be. One submittal package was received by the deadline from The Art League of Hilton Head.

The Art League, Town staff, which consisted of the Planning Department and Steven Markiw from the Finance Department, reviewed the financial plan. According to the qualifications set forth, they met the qualifications and submitted the required documents.

Mr. Markiw stated two issues have been identified:

1. The Art League is assuming the start up and renovation costs to be \$30,000 to \$40,000. Funding for these costs has not been secured. They have identified several potential sources: Community Foundation of the Low Country, Arthur Blank Foundation, and reserve funds. Actual costs and potential funding for the costs still needs to be firmed up.
2. The five year business plan indicates approximately \$15,000 to \$20,000 in grant funds are needed for operating purposes. Based on the information that has been supplied, without those funds the Art League would lose money the first year and have to rely on reserve funds.

Both issues identified above relate to the Art League obtaining grant funds to operate its mall facility over the next five years. Given today's economic climate there is some level of uncertainty as to whether the Art League will be able to secure these grant funds. The Art League has provided no contingency plan should these grants not materialize.

Councilman Williams said it was his understanding from reading the material provided, if the Art League does not get some of the grant money or are unable to raise it from the members; they appear to have sufficient reserve funds to at least uplift it so they could move in.

Councilman Laughlin believes the Art League meets all the criteria and they would be a good fit for the space. Ultimately, what I am hoping for is that they will be able to handle the financial commitment without coming back to the Town for a subsidy.

Cindy Chiapetta from the Art League approached the Committee and stated they are terribly excited to get this space. It has been a dream of theirs since the inception of the Academy to put both operations under one roof.

After additional discussion, Councilman Laughlin moved the Public Facilities Committee recommend to Town Council they select the Art League to sublease the Community Space at the Mall. Councilman Williams seconded the motion. The motion passed unanimously.

6. Adjournment:

Councilman Williams moved to adjourn the meeting. Councilman Laughlin seconded the motion. The meeting was adjourned at 3:22 p.m.

Respectfully Submitted,

Karen D. Knox
Senior Administrative Assistant