

A CASE STUDY: The Cedar Rapids Convention Complex Project

This project is a classic demonstration of the value FNG brings to our clients. By the time we were hired in April 2010, the city had produced an initial definition of the project, including site, budget and schedule. This information served as the basis for the city's grant application for state and federal funding.

We believe in the Old Carpenter's rule: measure twice, cut once. So, our first order of business was to analyze the project from every perspective, then to challenge our findings, and to continue until our homework was complete. We began with the city's assumptions on size, budget and schedule. We reviewed the drawings, site plan and programming created prior to our arrival. We considered every possible alternative and found that what the city wanted and what could be delivered were two different things. At this point, some background is in order.

BACKGROUND

Cedar Rapids is the second largest city in Iowa and is the county seat of Linn County. The city lies on both banks of the Cedar River 20 miles north of Iowa City. The Cedar Rapids area is a regional hub for Eastern Iowa due to its location at the crossroads of Interstates 80 and 380. The Eastern Iowa Airport is owned and operated by the City of Cedar Rapids and serves communities in the eastern part of the state.

The economy of Cedar Rapids is primarily based on the manufacture and processing of agricultural and food products, financial services and technology. The city's capacity for corn processing is among the largest in the world, including Quaker Foods and Beverages, which runs the world's largest cereal milling plant, and Aegon Insurance and Rockwell Collins International are among the city's largest employers with 4,000 and 6,500, respectively.

In the late 1970's the city constructed an 8,000-seat arena and an adjacent 800 space-parking garage in its central business district, two blocks from the Cedar River. To complete the project, private sector developers constructed a 15 story, 275-room hotel on adjacent property leased by the city and all three facilities were connected by a skywalk system.

In June 2008, the Cedar River reached historic levels and inundated the central business district and much of its surrounding neighborhoods. This was a devastating flood reaching well beyond the 500-year flood plain. The creation of municipal economic development tools was a common theme to the city's flood recovery plan and the development of a convention center along with renovations to the arena were the primary elements.

The city established a \$67 million budget for a project that involved 60,000 square feet of exhibit space and 30,000 square feet of meeting space. Based on those factors, the State of Iowa had committed \$15million to the project and the city was nearing approval of a \$35 million grant from the U.S. Department of Commerce Economic Development Agency.

ENTER FNG

In April 2010 the City of Cedar Rapids, Iowa hired Frew Nations Group, LLC as project manager for its convention center project. FNG was brought on board to lead all aspects of this effort, including fundraising, financing, entitlements, design, construction management and securing a facility manager.

We found the proverbial elephant in the room during our initial review. In fact, we found four:

(1) The dimensions were too big. The space proposed for the new convention center was not large enough for 90,000 square feet of new construction and failure to accomplish the proposed dimensions would jeopardize the \$35 million EDA grant. Therefore, FNG proposed and the city agreed to acquire the only adjacent parcel not already in the project footprint. At 14,000 square feet this property would allow the convention center design to reach proportions satisfactory to the EDA as well as market needs. The challenge was the dilapidated 10-story, 300 space parking garage that came with the deal.

(2) The budget was too small. FNG assembled the project team using the city's procurement process and hired an architectural team of OPN Architects, TVS Design and Ellerbe Beckett. The project team produced a schematic design with a more realistic budget of \$75.6 million.

(3) The hotel was going dark. The third elephant was the hotel. The hotel was designed as a companion facility to the city's arena and parking garage. Separating the hotel from the arena would be very difficult. Many facilities were shared, such as the loading dock, kitchen and steam generation. In addition, the hotel leased air rights, ballroom space and parking from the city. With the hotel industry not yet recovered from the 2009 recession, these factors made it unlikely that a private sector owner would emerge.

Ownership of the hotel had changed hands in recent years. In October 2008, a group of lenders, including CWCapital, LLC foreclosed on the owner. CWCapital, LLC was appointed receiver on November 19, 2008 and owned the property as 350 1st Avenue, LLC. In 2010, the hotel was listed with Jones Lange LaSalle. When no buyer emerged and closure was a likely outcome, FNG proposed that the city purchase the hotel to assure that it would continue as an operating entity. FNG led the negotiations that resulted in the city's acquisition for \$3.2 million in March 2011. Through FNG leadership, the city minimized its risk exposure by purchasing only the building and none of the operating assets. The seller was obligated to terminate all contracts and leases prior to closing that allowed the city to proceed without obligations to any particular hotel brand, management company or vendors.

(4) The city had to show its cards before the hand was played. The project required the purchase of approximately two-thirds of a city block and the relocation of eight tenants. Because the city had to publicly identify these properties and tenants 18 months earlier in the EDA grant application it had very little leverage in the negotiations. The solution lie application of the Uniform Relocation Assistance and Real Property Acquisition Act of 1970. FNG supervised city consultants and actively engaged in negotiations that resulted in all property being acquired and all tenants relocated within the project schedule and budget.

With the project footprint, budget and schedule defined, FNG led the project team forward. We added all necessary vendors and consultants to the project team, including experts in hotel management, public finance, materials testing, hazardous materials survey and abatement. FNG oversaw the development of

alternative financing strategies, design reviews and budget and schedule models.

A “HISTORIC” CHALLENGE

Demolishing the parking garage would be a major challenge. It was a substantial structure located adjacent to the Roosevelt Hotel, an historic building that had recently been renovated and occupied as affordable housing. Moreover, the parking garage was designed as an integral part of the Roosevelt secondary emergency egress system where people would exit the Roosevelt onto and/or into the parking garage and use the garage stairwell to the street. The challenge: the parking garage could not be demolished unless and until a temporary stairway was in place. Six months of planning and negotiations with the Roosevelt owner resulted in a novel solution involving the following steps: (1) erection of a twelve story scaffolding on the north side of the Roosevelt to serve as a temporary egress; (2) demolition of the garage; (3) erection of a permanent twelve story stairwell on the east side where the garage was located; (4) removal of the temporary stairway; and (5) construction of the convention center.

THE FINISH LINE

The entire project is in the construction phase with FNG serving as construction manager. At the city’s request, we will issue multiple bid packages for prime subcontractors and thereby allow local companies a greater chance to secure work on the project. We invite you to visit our project website for regular updates on the project (www.cedarrapidsconventioncenter.com) or our company website for additional information (www.frewnations.com).