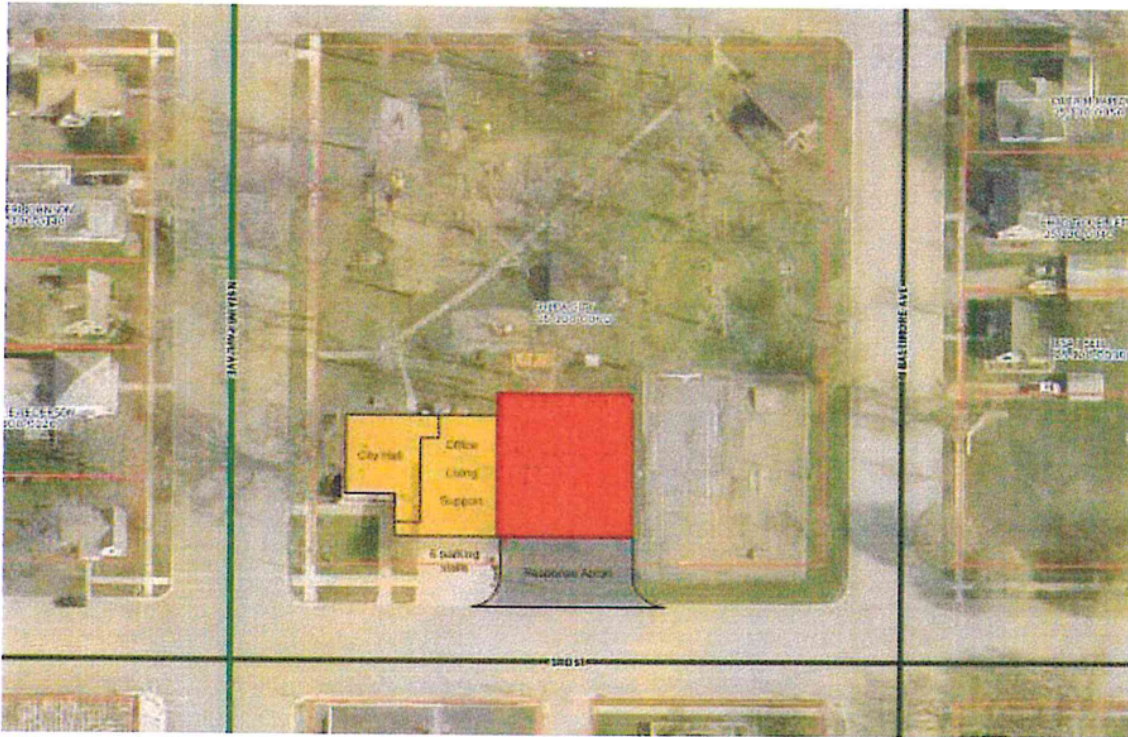
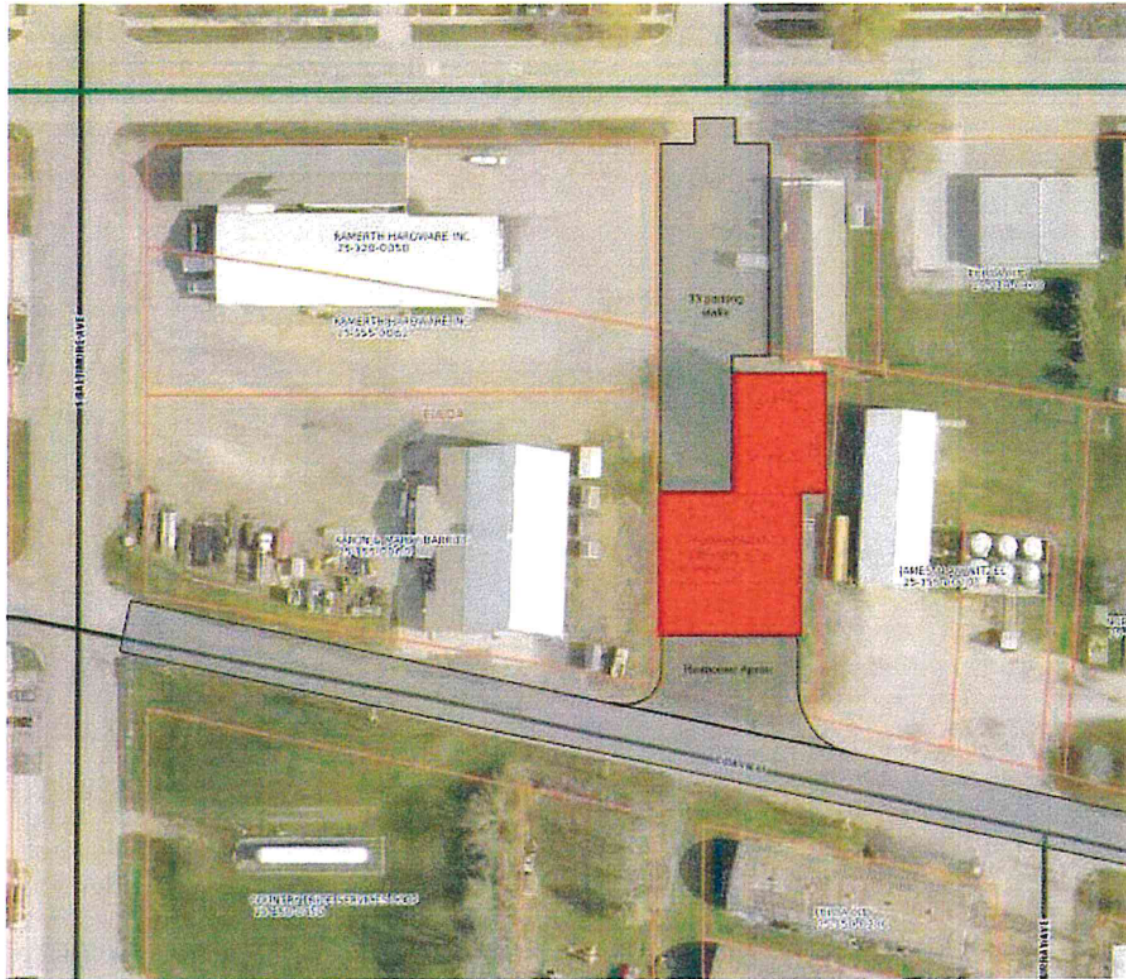


Option 2: Add on to the existing Fire Station



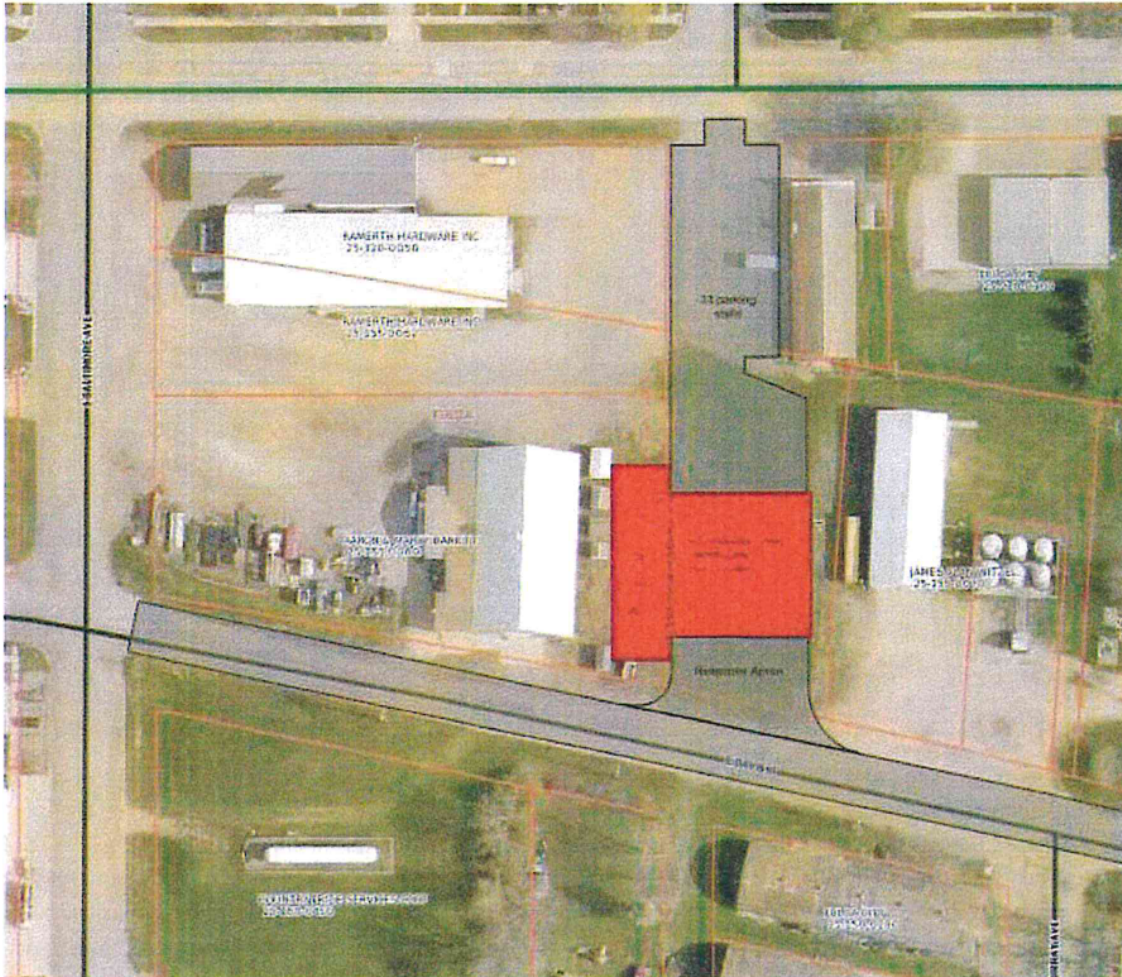
So little modern fire apparatus will fit into a 10'x10' door that it does not make sense to continue to use the current apparatus bays for their current function. Four new apparatus bays can be built between the current building and the tennis courts. These will be slightly narrower than industry best practices but still functional. The existing apparatus doors could be changed to windows and the current apparatus apron used as firefighter parking. Since this scenario would take advantage of the existing meeting room and boiler room, the remaining office, living, and support spaces could fit within the current apparatus bay space. Underground water mains and the overhead power and data lines would need to be relocated to accommodate the location of the new apparatus bays. The main electrical service entrance would need to be relocated. This carries significant cost. On the plus side, this option takes advantage of an existing building that is in good structural condition and allows sharing of the large meeting room and public restrooms. However, this option does not resolve all of the current issues. There would still be single-sided back-in apparatus bays that make it difficult to get the appropriate apparatus out quickly. The topography on the site would require some significant import of gravel and dirt. Firefighter parking would be limited to approximately six vehicles, so most responders would be reliant upon street parking which might be a block away if there is an event at the library. The addition would eat away at the limited existing park space in Fulda, and there is no room for future expansion unless the tennis courts were also demolished. Scheduling conflicts and lack of exterior space would hamper the Department's training program. The pedestrian activity around the park makes an accident during response more likely, and since it is a mostly residential part of town, the neighbors will be subjected to lights and/or sirens even if the call is to a rural portion of the Department's coverage area. Finally, to blend with the existing building and look like a downtown civic structure, the exterior would probably be more expensive than if it were built in an industrial area.

Option 3: Purchase property extending from Columbia Avenue



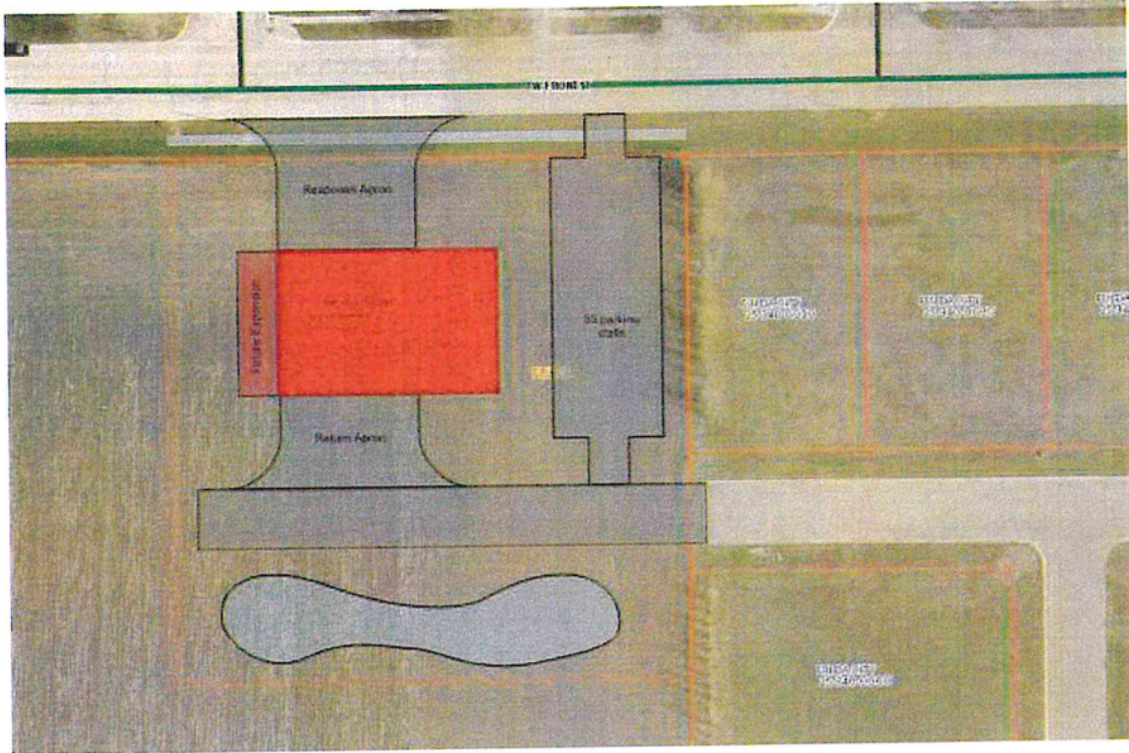
Columbia Avenue right-of-way currently extends approximately 120' south of Front Street, and the property owners directly south of this right-of-way have expressed initial willingness to sell to the City. However, the width of this site is insufficient to fit both the bays and the living/office/support spaces side-by-side, so a full drive-through arrangement cannot be accommodated. A station on this site would respond onto Davis Street, which would need to be improved. Both interior and exterior training could occur at the nearby Police/Ambulance building. The living/office/support space would be north of the bays, and the parking would occur in the Columbia Avenue right-of-way. This option would require purchasing property in a developed part of town, which might be more expensive than a greenfield site, and leaves no space for future expansion. The proximity of exterior walls to the property lines will require a zoning variance (which is not guaranteed), will limit the number of allowable windows, and will require the exterior walls to be fire rated (resulting in modest additional expense). Perhaps most concerning, this site is located very close to a fuel depot, which is a high-risk occupancy. An accident at the fuel depot could damage the fire station or prevent the members from safely reaching the station. In this case, the City would be dependent on Mutual Aid departments to respond from 10 to 15 minutes away, by which point the remaining fuel may have exploded.

Option 3A: Purchase property extending from Columbia Avenue



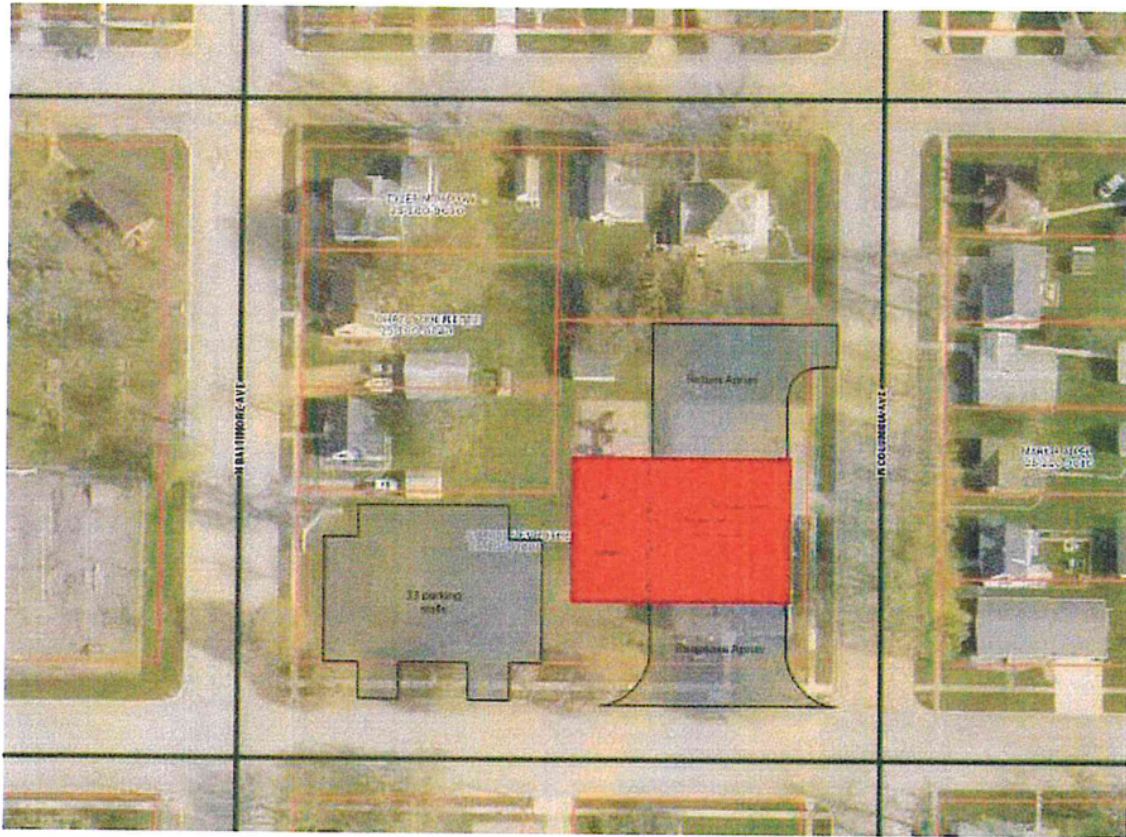
If an additional 40' to 50' of property can be acquired (in addition to the parcel discussed in Option 3), the living/office/support spaces could be arranged west of the apparatus bays allowing four drive-through bays (depending on parking layouts). Land acquisition costs would be increased, but functionality of the station would also increase. This sub-option also has limited space for future expansion and is subject to the same risks from the fuel depot. The proximity of exterior walls to the property lines will require a zoning variance (which is not guaranteed), will limit the number of allowable windows, and will require the exterior walls to be fire rated (resulting in modest additional expense).

Option 4: Purchase a previously undeveloped site on the edge of town



On a greenfield site, the Department could build an ideal station with a simple layout for quick response times, proper workflows that support best practices during decontamination, and room for parking and future expansion. Drive through apparatus bays would make responding in the appropriate vehicles simple and safe. Interior and exterior space for training activities could be easily accommodated. While this would require the Department to purchase approximately two acres of land, those costs would be a small portion of the overall project budget. There are several greenfield sites that could be chosen – we have illustrated one such option to show proof of concept. Depending upon location and community opinion, this option might mean that the exterior of the building has to be more expensive to better blend with neighboring structures. If located too far out of town, the extension of water, sewer, electricity, etc. might be a significant expense.

Option 5: Purchase the St. Lawrence School



The St. Lawrence school property is expected to be available for sale. The building is in reasonable condition but is not conducive to fire station use. It would be demolished and a new fire station building erected in its place. Parking would occur on the west section of the parcel, allowing the underground water mains and overhead power and data lines to remain in place. The parcel is configured in a way that would allow the Department to build an ideal station with a simple layout for quick response times, proper workflows that support best practices during decontamination, and room for parking. Future expansion would be limited, but could involve back-in bays for smaller equipment north of the office/living/support wing. Drive through apparatus bays would make responding in the appropriate vehicles simple and safe. Interior and exterior space for training activities could be easily accommodated. Since it is a mostly residential part of town, the neighbors will be subjected to lights and/or sirens even if the call is to a rural portion of the Department's coverage area. Finally, to blend with the adjacent single-family homes and look like a civic structure, the exterior would probably be more expensive than if it were built in an industrial area.

Potential Project Costs

The following budget represents BKV Group's judgment as a design professional and is intended to allow for order-of-magnitude planning of capital expenditures. Actual costs should be expected to vary from these numbers based upon the level of quality; the availability of labor, materials, or equipment; the Contractor's methods of determining bid prices; and the competitive bidding, market, or negotiating conditions. The estimates should be confirmed at the time of planned implementation.

Recent fire station construction projects in Minnesota provide a baseline for construction cost range. The 8,500 square foot Edgerton Emergency Services Building was constructed in 2013 for ~\$76 per square foot with significant sweat equity from the community. Worthington Fire Station is 17,870 square feet and opened in 2012 at a cost of \$4,200,000, or \$235 per square foot. Windom Emergency Services was built in 2016 and cost \$3,750,000 for 18,500 square feet, which translates to \$202 per square foot. Extrapolating those costs to today, a station built of masonry and steel in spring of 2018 might be expected to cost between \$175 and \$300 per square foot depending upon the level of quality. A good middle-of-the-road number is \$220 per square foot. To save costs, the City might consider wood-frame construction, which we estimate at \$180 per square foot, or a pre-engineered metal building, which we estimate at \$154 per square foot.

Steel-Framed Building Cost Model		Good Program 10,984 SF	Best Program 12,800 SF
Base Construction Costs (\$220/SF)	\$	2,416,480	\$ 2,816,000
Site Development	\$	250,000	\$ 250,000
Contingency	\$	186,654	\$ 214,620
Soft Costs (furniture, design, etc.)	\$	485,033	\$ 557,705
TOTAL ESTIMATED PROJECT COST (2018 dollars)	\$	3,338,167	\$ 3,838,325

Wood-Framed Building Cost Model		Good Program 10,984 SF	Best Program 12,800 SF
Base Construction Costs (\$180/SF)	\$	1,981,514	\$ 2,309,120
Site Development	\$	250,000	\$ 250,000
Contingency	\$	156,206	\$ 179,138
Soft Costs (furniture, design, etc.)	\$	405,912	\$ 465,504
TOTAL ESTIMATED PROJECT COST (2018 dollars)	\$	2,793,632	\$ 3,203,762

Pre-engineered Metal Building Cost Model		Good Program 10,984 SF	Best Program 12,800 SF
Base Construction Costs (\$154/SF)	\$	1,691,536	\$ 1,971,200
Site Development	\$	250,000	\$ 250,000
Contingency	\$	135,908	\$ 155,484
Soft Costs (furniture, design, etc.)	\$	353,165	\$ 404,036
TOTAL ESTIMATED PROJECT COST (2018 dollars)	\$	2,430,609	\$ 2,780,720

Remodel/Addition to Existing Building Cost Model

Remodeling (3,350 square feet)	\$	351,750
New Addition (6,720 square feet)	\$	1,478,400
Site Development	\$	100,000
Contingency	\$	231,618
Soft Costs (furniture, design, etc.)	\$	367,501
TOTAL ESTIMATED PROJECT COST (2018 dollars)	\$	2,529,269

Construction costs increase significantly over time and are especially sensitive to changes in the economy. Reports suggest construction escalation could be as high as 8% per year, compounded, at the time of writing. By accelerating the project schedule to construct the building in 2019 instead of in 2020 or 2021 the City could avoid some of the cost impacts of this escalation.

If all of the labor for the project was performed by volunteers instead of paid workmen, costs can be reduced by as much as \$1,000,000 depending on the construction type chosen. It is unlikely that the entire project would be donated, but there are indications that the amount of volunteer labor could be significant. Further investigation is necessary to determine how much savings can be had with this strategy.

Recommendations

As previously stated, Option 1 cannot accommodate the entire building program on the site. Option 2 is the least-cost scenario, but also does not solve some of the largest problems with the current facility – lack of nearby parking, difficulty providing training opportunities, and double-stacked back-in apparatus bays. Between Option 3 and 3A, the marginal cost difference makes 3A the more desirable simply due to the additional drive-through apparatus bays, but this is the highest cost option due to extensive site development needs and represents the highest risk due to the adjacent fuel depot.

Options 4 and 5 are very close in terms of the benefits to the Department and the anticipated costs to the City. Which of these two options is truly the least expensive will come down to actual purchase price and actual site development costs, which cannot be easily predicted for a generic greenfield site. If the City decides to use City-owned land along Davis Street, for instance, land acquisition costs would be zero.

Given the drawbacks of Option 2 and the risks of Option 3, we recommend pursuing Options 4 and 5 by entering into discussions with the St Lawrence School and with owners of greenfield properties around town to determine the true land acquisition costs. We recommend against establishing a budget goal for the project at this juncture. We recommend taking the next small step towards a project – retaining an architect to produce a conceptual building design that lays out the rooms and corridors, visualizes the exterior, and pursues other cost savings ideas. To supplement this, once a preferred site is chosen, due diligence and some initial planning will reveal the extent of site work necessary. This small investment will allow a much more detailed cost estimate. It is at this point that we recommend the final budget be established. In addition to refining the financial ask of the citizens, by not delaying the City will keep the option of 2019 construction on the table.

City of Fulda, Minnesota Fire Hall Financing Scenarios (by Northland Securities)

Action Steps

This report provides the data necessary to make informed decisions about the future of the Fulda Fire Department facilities, but is only the first step of the process. Recommended next steps for the Department are as follows:

- Review the option for the townships served by the fire department to share the cost of the project.
- Review and establish a time frame for when the project will be constructed.
- Further define what / if any of the construction could be done by local volunteers.
- Have an open house with the public to state the requirements for the fire station, the City's and Department's goals, and potential tax impact.

**City of Fulda, Minnesota
Fire Hall Financing Scenarios**

Assumes City provides general obligation pledge to USDA

	SCENARIO 1	SCENARIO 2	SCENARIO 3
	\$450,000 USDA Note and \$1,380,000 USDA Loan 39-Year Term	\$1,100,000 General Obligation CIP Bonds 30-Year Term	\$990,000 Lease Revenue Bonds 30-Year Term
BOND AMOUNT			
USDA Note & Mortgage	\$ 450,000	\$ -	\$ -
USDA Direct Loan	\$ 1,380,000	\$ -	\$ -
General Obligation Bond	\$ -	\$ 1,100,000	\$ 990,000
Total Financing Amount	\$ 1,830,000	\$ 1,100,000	\$ 990,000
DEBT SERVICE			
Bond term (Years)	39	30	30
Avg. Interest Rate	3.500%	4.135%	5.110%
Total Net Debt Service	\$ 3,391,700	\$ 1,938,536	\$ 1,950,875
Avg. Annual Debt Service	\$ 89,255.26	\$ 66,846.08	\$ 67,271.55
105% Statutory Annual Debt Service	\$ 93,718	\$ 70,188	\$ 67,272
TAX IMPACT			
Annual Tax Levy Required	\$ 93,718	\$ 70,188	\$ 67,272
Tax Impact Information			
Net Tax Capacity Value (Pay 2018)	\$ 461,091	\$ 461,091	\$ 461,091
Estimated Net Tax Rate Increase	20.3253%	15.2222%	14.5896%
Market Value of Residential Property			
25,000	\$ 30.49	\$ 22.83	\$ 21.88
50,000	\$ 60.98	\$ 45.67	\$ 43.77
75,000	\$ 91.46	\$ 68.50	\$ 65.65
100,000	\$ 145.85	\$ 109.23	\$ 104.70
150,000	\$ 256.63	\$ 192.20	\$ 184.21
200,000	\$ 367.40	\$ 275.16	\$ 263.72
250,000	\$ 478.17	\$ 358.12	\$ 343.23
300,000	\$ 588.94	\$ 441.08	\$ 422.75
Mkt Value of Commerical-Industrial Property			
50,000	\$ 152.44	\$ 114.17	\$ 109.42
100,000	\$ 304.88	\$ 228.33	\$ 218.84
200,000	\$ 660.57	\$ 494.72	\$ 474.16
300,000	\$ 1,067.08	\$ 799.17	\$ 765.96
500,000	\$ 1,880.09	\$ 1,408.06	\$ 1,349.54
1,000,000	\$ 3,912.62	\$ 2,930.28	\$ 2,808.51

Notes:

- (1) The USDA requires a general obligation pledge as security. The financing scenarios assume that the City provides a general obligation pledge by going through the capital improvement plan process (Minnesota Statute 475.521).
- (2) MN Statute defines the maximum annual debt service as the City's estimated market value (EMV) x 0.16%. For the City of Fulda the pay 2018 EMV = \$43,213,073 x 0.16% = \$69,140 maximum annual debt service.
- (3) The maximum length of financing with the USDA is 39 years and 30 years with general obligation bonds.
- (4) For the lease revenue bonds, the average annual debt service payment is equal to the lease payment, which will not need to include the 105% statutory requirement.