


MEMORANDUM

TO: Mayor and Council

FROM: Joseph A. Melder, City Manager 

DATE: May 5, 2025

SUBJ: Westside Surface Lot CIP Project

ATT: Referenced Leases, Amendments, and Regulatory Documents

THE PURPOSE of this memo is to detail the history and facts of the “Westside Surface Lot CIP” project (more commonly known as the Arena surface parking lot), the City’s obligations as it relates to the environmental remediation of the site, and the proposed FY2025 Budget Amendment that covers this obligation.

BACKGROUND

The “Westside Surface Lot” project dates to 2019, when the Mayor and Aldermen of the City of Savannah authorized an agreement with Tenenbaum, Inc. to lease 22-acres of land just east of the Springfield Canal, north of Gwinnett St, for the purpose of “providing vehicular parking and related services in association with the planned development of an adjoining arena.” Of course, the planned adjoining arena referenced in the 2019 lease agreement is the EnMarket Arena.

According to my research, the original scope of the project was to be a temporary, gravel parking area. In 2020, the scope of the project changed to include a 2,000 space paved surface parking lot, when subsequent lease agreements and the Environmental Protection Division (EPD) of the Georgia Department of Natural Resources (DNS)—in consultation with the US Environmental Protection Agency (EPA)—obligated the City of Savannah, as the tenant of the property, to remediate contaminants onsite, based on an approved corrective action plan.

It is the opinion of myself and of City Attorney Bates Lovett that based on City Council authorized agreements in 2019 and 2020, as well as directives from EPD in 2020, that the City is indeed obligated to perform the necessary remediation, which the 2025 Quarter 1 Budget Amendment supports. This obligation was restated in a subsequent amendment and revision to the lease agreement in 2024, which also provided better terms for the City of Savannah.

While the City is obligated to provide for this remediation, I understand that many City Council members are frustrated with the cost of this remediation and rightfully would like to see these taxpayer funds applied to more meaningful capital projects. I agree. However, it is my duty as City Manager to provide for the orderly administration of the municipal corporation, and that

requires making recommendations to you to cover the costs of our obligations, even when those obligations are not the priorities of City Council. I also see it as my duty to ensure we have the proper fiscal and budgetary controls in place to deal with unforeseen or un/under-budgeted obligations in such a way that it does not impact other approved projects and expenses. In this case, I have recommended that we pull funds from our parking fund and the capital contingency account (for which we keep appropriate balances to cover risk in our capital portfolio), and not by reducing balances from other needed projects to cover the added costs.

In my research of the 2019 and 2020 decisions, and in my management of the city since September 10, 2021, I have concluded that the central issue in the escalating cost and timeline of this project is that the City, at the outset, approached this project as a surface lot construction project and not as an environmental remediation project. The original lease agreements, budgets, contracts and project management were not designed to effectively address the environmental remediation challenge that this project became.

We have since changed our approach. We have brought on specialized legal and environmental remediation consultants to negotiate and manage a successful remediation project, which has already reduced real costs and risks. We have brought forward a budget proposal that I am confident will cover our obligations. We have brought on a horizontal capital project management firm that will ensure we have the technical know-how to appropriately plan and manage not just this infrastructure project, but every infrastructure project going forward. While the fact remains that this obligation has been costly and frustrating, please also consider the facts below in your deliberations:

- We are obligated to perform this remediation.
- We are beholden to the lease agreement, which in addition to the terms, restricts the use of the site to that of a parking lot only.
- We are providing a true community benefit by removing contamination from our community.
- We are providing essential infrastructure to a generational economic development project at the Arena. (We are obligated to provide suitable parking facilities to the arena based on another 2019 City Council agreement).
- We can recoup the expenses of the remediation by operating the surface parking lot.
- We can apply capital contingency funds and available Parking Fund balances to cover cost over-runs, avoiding the need to cut resources from other projects.

RECOMMENDATION

I therefore recommend, based on our obligations, that City Council approve the proposed FY2025 Quarter 1 Budget Amendment (and subsequent contract modifications) to cover the remaining cost of the Westside Surface Lot. Based on the concurrence of the City Attorney, executive city staff, expert consultants, and my own research and investigation, I believe this approach is the most cost effective way to meet our obligation, provide a true community benefit, reduce significant regulatory and legal risks, meet the operational needs of the arena, and recoup expenses associated with this remediation, while protecting the budgets of other capital projects.

Please see below for additional information. Please do not hesitate to reach out to me with any questions or concerns.

PROJECT TIMELINE

2019

- Then-City Manager authorized the City annual contracted civil engineer CHA (formerly Wolverton) to evaluate potential surface parking lot options to support the parking needs of the new Arena. Cost was \$125,000 from Parking Fund.
- The City selected the Tenenbaum site as the best option and approached the owner about a potential deal.
 - Due to concerns about potential environmental issues that may be present, staff explored a lease instead of an acquisition.
- Council approved land lease between City and Tenenbaum, Inc. on August 29, 2019, which was signed and effective September 10.
 - Term was 5 years with option to extend 5 years for total of 10 years
 - Initial rental rate of \$696,000 per year.
 - Due Diligence Period: 90 days (until December 9, 2019)
 - Could terminate the lease during due diligence.
- City Council approved a First Amendment to the lease agreement, which is signed and effective November 14, 2019.
 - The First Amendment extended the Due Diligence until May 29, 2020.
 - No change was made to rental rate, terms, or other conditions.
- Due Diligence was performed to delineate preliminary boundaries of contamination on site.
- City Council approves the 2020 Adopted CIP Budget, which includes \$5 Million for the Westside Surface Lot project.

2020:

- Council approved a Second Amendment to the Lease Agreement, which is signed and effective on May 28, 2020.
 - This amended the term of the lease to commence defined to be the 21st day following a final decision from the Environmental Protection Division (EPD) of the Georgia Department of Natural Resources approval of the proposed environmental remediation plan AND the 21st day following a final decision of the US Army Corps of Engineers on the proposed use/plan.
 - The initial rent was lowered to \$525,000 per year.
 - City retained right to terminate if the environmental remediation plan was not approved by EPD, or if the Corps of Engineers permit was not issued.
 - The amendment also included a Financial Assurance provision, which obligated the City to furnish regulators with financial assurance for cost of the remediation plan

implementation, maintenance, and monitoring during the term of the lease.

Tenenbaum, Inc. was obligated for all such costs after lease expiration.

- Draft environmental remediation plan (CAP/VIRP) approved/signed by then-City Manager and submitted to Georgia EPD on June 12, 2020.
 - Reported results of preliminary due diligence and produced a Corrective Action Plan, which stated that the City:
 - Remove contamination above certain thresholds
 - Encapsulate remaining contamination below certain thresholds with an asphalt paved parking lot.
 - Deed restrict uses to nothing but a parking lot.
 - Implement institutional controls/period reporting.
- Georgia EPD, in coordination with EPA, approved the environmental remediation CAP on October 21, 2020
- US Army Corps of Engineers approved a jurisdictional determination on September 23, 2020, indicating there were no jurisdictional wetlands to be impacted by the project.
- Construction cost estimate from consultants was reported at \$5.7 Million.
- City moves past due diligence based on foregoing information and initiates construction/remediation.

2021:

- EPD grants City approval to start construction/remediation on the south half of the proposed parking lot while delineation continues on the north half, which was much more heavily contaminated than the south side.
- Bids for remediation/construction were solicited and work was awarded to APAC at \$9 Million in May 2021.
 - \$5 Million funding was existing as approved in 2020 Adopted CIP Budget.
 - \$2.5 Million was allocated in the 2021 Adopted CIP Budget
 - \$1.75 Million was a later budget Amendment in May 2021 to funding the increased cost based on bids received.
 - Total funding authorized was \$9.25 Million.

2022:

- The south-half of the proposed parking lot is completed in June 2022.
- Total cost for contractor and consultants on the south-half lot was \$6.3 million.
- Environmental delineation of north-half continued.

2023:

- Environmental delineation of north-half continued.
- City Council approved 2023 projected budget, which includes an additional \$6.5 Million to cover estimated remediation costs for the north-half lot.

2024

- City Manager recommends and City Council approves a “Revised, Amended and Restated Land Lease” to the original lease agreement, which was effective March 8, 2024.
 - The revised agreement extends the base term for 10 years and 2, 5-year periods for a potential total of 20 years through 2050.
 - Tenenbaum, Inc. affirms it provided regulatory authorities a notice of release of regulatory substances on the site
 - City reaffirms it will pay cost to implement, maintain, and monitor the EPD approved remediation plan during term of the lease
 - Tenenbaum, Inc. affirms it will pay cost to implement, maintain, and monitor the EPD approved remediation plan after City lease expires.
 - City provides financial assurance for its obligations.
 - City has right of first refusal to acquire the site if Tenenbaum receives an offer to buy.
- City Manager recommends and City Council approves \$4.5 Million change order to parking lot remediation/construction contract in February 2024.

2025

- In February 2025, City Manager moves project oversight and management to Planning and Economic Development Service Center.
- February 2025, City Council approves Program Management Assistance for all city horizontal construction projects, including the Westside Surface Lot.
- City Staff discover cost overruns by contractors, estimated at \$1.9. million above the authorized contract amount (City has not approved payment of that overrun).
- Project evaluation was conducted resulting in a proposed settlement agreement with Terracon and APAC that provide price concessions and better management practices moving forward.
- City negotiated a reduced per ton hauling fee from \$377 to \$287.50 by contracting separately with Waste Management.
- City consultants identified a reduction in the materials to be hauled from the site from 15,500 tons to 4,000 tons.
- Revised cost proposal from APAC and Terracon to complete project is an additional \$14 Million. Proposed 2025 Q1 Budget Amendment as follows: \$6.6 Million from Parking Fund and \$7.4 Million from CIP Reserves.

Figure 1. CIP Balance

Westside Surface Lot CIP		
Total Project Revenues	(15,875,000)	
Total Expenses through May 2025	15,657,373	
May 2025 Project Balance	\$ (217,627)	
less Projected Cost Estimate	14,217,627	To complete remediation, install surface parking lot and project closure.
Funding Shortfall Estimate	\$ 14,000,000	
less Parking Fund BA pending	(6,600,000)	
less General Fund BA pending	(7,400,000)	
Net Project Balance at Closure	\$ -	

Figure 2. CIP Budget Approval History

CIP BA #	Amount	Funding Source	Date Approved	Method of Approval
19-098	125,000	Parking Fund	12.05.2019	City Manager (Pat Monahan) under General Contract authorized by City Council
20-026	5,000,000	Parking Fund	12.05.2019	2020 Adopted CIP Budget
21-023	2,500,000	Parking Fund	12.18.2020	2021 Adopted CIP Budget
21-053	1,750,000	Parking Fund	05.27.2021	Funding Verification Agenda Event# 8322
23-058	6,500,000	Parking Fund	12.07.2023	2023 Projected Budget
Total Funding: \$ 15,875,000				

Figure 3. South-Lot Budget Costs

Actual Spend through May 2025:

APAC Construction Costs	5,870,752
Terracon Costs	300,000
CHA Civil Engineering Design Costs	50,000
Southern Champion	32000
Surveying Costs	9000
South Lot estimated spend	\$ 6,261,752

Figure 4. North-Lot Remaining Costs

Remaining North-Lot Needs	
Remaining remediation, hauling and project management costs	\$6,707,000*
Required site capping and paving (including lot and Cohen Road extension)	\$7,293,000
Total	\$14,000,000

*includes estimated \$1.9 million in contract work above authorized contract amount (City has not approved payment of this)