

Memorandum



CITY OF DALLAS

DATE April 26, 2024

TO Honorable Mayor and Members of the City Council

SUBJECT **Status of 7800 Stemmons Building**

Background

A special called meeting has been scheduled on May 2, 2024, to allow the Ad Hoc General Investigating and Ethics Committee (Committee) to be briefed on the status of the 7800 N. Stemmons building (an 11-story office tower), which was purchased to serve as a “One-Stop” permitting office and would house Development Services and other City departments. As staff prepares the briefing materials for the May 2, 2024, meeting, the purpose of this memorandum is to provide an outline of the upcoming briefing materials, provide answers to the questions posed to the Committee by Council Member Moreno on April 19, 2024, to request any further questions from City Council that staff can incorporate into next week’s briefing materials, and discuss next steps.

Outline of Committee Briefing Materials

Given the upcoming Committee briefing on the status of the 7800 N. Stemmons building, the briefing materials will include the following discussion points:

1. Budget Planning and Pre-Purchase Evaluations and Inspections,
2. A Timeline of Purchase, Permitting, Construction, and Inspections,
3. Budget Expenditures and Future Budget Needs,
4. Next Steps and Estimated Timelines.

In addition to the discussion points listed above, responses to questions submitted by the City Council will also be included in the briefing materials.

Responses to 11 Questions Submitted to the Committee on April 19, 2024:

Understanding the outline of the Committee briefing materials, this memorandum will now provide responses to the 11 questions submitted by Council Member Moreno to the Committee on April 19, 2024 ([see questions here](#)).

Question 1: What was the full evaluation process and what due diligence was taken prior to the purchase of 7800 N. Stemmons Fwy.?

Response to Question 1: The following evaluations were conducted prior to the purchase of the 7800 N. Stemmons Facility (*please note that City Council approved the purchase on August 10, 2022, but the actual purchase date or date of conveyance was September 23, 2022*):

- In June 2022, the Building Services Department (BSD) and Bond and Construction Management (BCM) completed a site assessment and except for two non-

functioning elevators, no immediate needs were identified. However, long-term capital needs were noted.

- In July 2022, Public Works-Real Estate, as part of the pre-purchasing process, contracted JLL Valuation Advisory (JLL) as a third-party consultant, to complete a property condition assessment. A link to that report can be found [here](#). A summary of the JLL assessment, to include the systems and areas assessed, the conditions of those systems and areas, and future actions are also included in the report.
- On August 10, 2022, a Phase I Environmental Assessment was completed on floors 1-11 and as asbestos was found on floors 1 and 8, remediation was completed by October 29, 2022. Those floors were not occupied at that time.

Question 2: What would be the cost of maintaining employees in the Oak Cliff Municipal Center (OCMC) for one and a half years beyond the purchase of 7800 N. Stemmons Fwy.?

Response to Question 2: Approximately \$1.4M. The estimate is comprised of the following annual operating and maintenance costs:

Electricity	\$115K
Natural Gas	\$12K
In House Repairs/Maintenace Service Order	\$116K
<u>Security</u>	<u>\$678K</u>
Total annual cost	\$921K

Total cost for an 18-month period..... \$1.4M

Question 3: What was the impact of the building transition on the permitting process?

Response to Question 3: The building transition resulted in no negative impacts to the permitting process or performance. The teams that transitioned between 7800 N. Stemmons and OCMC were inspections, fiscal, and other non-front-facing teams.

Question 4: What are the fiscal ramifications to the Enterprise Fund balance and/or reserves?

Response to Question 4: To date, the Development Services Enterprise (DEV) Fund investment in Stemmons includes:

Building purchase.....	\$14.2M
Demolition, improvements and building updates to floors 1-5.....	\$5.0M
<u>Furniture, fixtures and moving.....</u>	<u>\$1.5M</u>
Total cost.....	\$20.7M

The current Budget Accountability Report (BAR) shows a \$6M year-end fund balance for the DEV Fund.

Question 5: Did employees access areas that were not authorized for occupancy? If so, for what duration?

Response to Question 5: The following is a summary of the number of staff who transitioned to the 7800 N. Stemmons building:

- December 18, 2023 - April 2024: Approximately 40 staff members on 5th floor,
- January 16, 2024: 20-25 staff members on the 2nd floor.
- March 4, 2024: 4 staff members on the 3rd floor.

Overall, Development Services employees had occupied the 7800 N. Stemmons building between mid-December 2023 and April 9, 2024. Until an email was sent to Development Services employees on March 27, 2024, employees were accessing other floors that had not been cleared for occupancy despite being notified on staying only on their assigned floor.

Question 6: What steps did City staff take to address the issue when the problem was identified?

Response to Question 6: As noted in the response to Question 5, on March 27, 2024, an email was sent to Development Services employees to alert them that they were not authorized to be on any areas that had not been cleared for occupancy.

Question 7: What cost is now associated with ensuring full compliance of 7800 N. Stemmons Fwy.?

Response to Question 7: Full details of costs will be provided at the Ad Hoc General Investigating and Ethics Committee (Committee) on May 2, 2024.

Question 8: As a result of the incident with 7800 N. Stemmons Fwy., did the City fall out of compliance with any state regulations and, if so, are there anticipated penalties associated with this?

Response to Question 8: Regarding fire code regulations, this building is under the jurisdiction of Dallas Fire-Rescue as the Authority Having Jurisdiction (AHJ). The Texas State Fire Marshal's authority in the City of Dallas is specific towards state owned buildings. Any fire code complaints received by the Texas State Fire Marshal for this building should be referred to Dallas Fire-Rescue for investigation and enforcement.

The City has not been made aware of being out of compliance with any state regulations or any associated penalties.

Question 9: Were fire systems certified in the building for use by TDLR? Was it communicated to staff working in the building that fire systems were working correctly?

Response to Question 9: The City of Dallas is the authority that performs acceptance testing to ensure proper functionality of life safety systems, to include the fire alarm, fire sprinkler (suppression) and fire pump. The **Texas Department of Insurance** provides certification and licensing standards for the individuals who annually inspect the life safety systems. The **Texas Administrative Code** additionally provides regulations for how the life safety systems must be labeled upon annual maintenance inspection as well as the notification of deficiencies found to the AHJ for enforcement. The **Texas Department of Licensing and Regulation (TDLR)** is the State entity that provides regulation for those facilities that have obtained state licenses in regulated industries as well as individual licenses for performing trades. Elevator inspection is a trade that is licensed by TDLR. State elevator inspectors do work with the AHJ (Dallas Fire-Rescue) to ensure that elevators have met safety codes in conjunction with Fire Code regulations.

Notification to occupants of a building of the functionality of life safety systems is not a requirement of the International Fire Code (Dallas Fire Code) and would be at the discretion of an individual building owner.

Question 10: Is it the practice of the City to independently verify the status of building infrastructure, asbestos, etc. when purchasing new property?

Response to Question 10: Yes, as noted in the response to Question 1, a Phase I Environmental Assessment was completed on floors 1-11 and as asbestos was found on floors 1 and 8, remediation was completed by October 29, 2022.

Question 11: Has a full evaluation of the property been conducted, or will a full evaluation of the property be conducted?

Response to Question 11: Aside from the inspections and evaluations referenced in the response to Question 1, an additional internal building evaluation was completed by a multi-departmental team in April 2024. The floor-by-floor walk through evaluation was completed by City staff from Building Services, Bond and Construction Management, Dallas Fire-Rescue, Information Technology Systems, City Marshal's Office, and Development Services.

Additional Questions from City Council

As responses to the questions submitted by Council Member Moreno have been provided, and much of this information will be included in the Committee briefing on May 2, 2024, staff requests other City Council Members' feedback or questions that can be incorporated into the May 2, 2024, briefing.

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Next Steps

Staff will brief the Committee on details of next steps, related costs, and timelines to ensure the timely implementation and execution of remediation plan and facilitate a seamless move-in for all floors at 7800 N. Stemmons.

Should you have additional questions, please contact Jennifer Nicewander, Director of the Office of Bond and Construction Management, at jennifer.nicewander@dallas.gov.



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