

Fiscal Year 2013-14 Capital Construction Request

Personnel and Administration

Capitol Complex Master Plan— 2013

PROGRAM PLAN STATUS

2013-006

Approved Program Plan?

N/A

Date Approved:

PRIORITY NUMBERS

Prioritized By

Priority

Dept/Inst

3 of 3

OSP/

NP of 29

PRIOR APPROPRIATION AND REQUEST INFORMATION

<u>Fund Source</u>	<u>Prior Approp.</u>	<u>FY 2013-14</u>	<u>FY 2014-15</u>	<u>Future Requests</u>	<u>Total Cost</u>
CCF	\$0	\$2,000,000	\$0	\$0	\$2,000,000
Total	\$0	\$2,000,000	\$0	\$0	\$2,000,000

ITEMIZED COST INFORMATION

<u>Cost Item</u>	<u>Prior Approp.</u>	<u>FY 2013-14</u>	<u>FY 2014-15</u>	<u>Future Requests</u>	<u>Total Cost</u>
Land Acquisition	\$0	\$0	\$0	\$0	\$0
Professional Services	\$0	\$1,800,000	\$0	\$0	\$1,800,000
Construction	\$0	\$0	\$0	\$0	\$0
Equipment	\$0	\$0	\$0	\$0	\$0
Miscellaneous	\$0	\$0	\$0	\$0	\$0
Contingency	\$0	\$200,000	\$0	\$0	\$200,000
Total	\$0	\$2,000,000	\$0	\$0	\$2,000,000

PROJECT DESCRIPTION / SCOPE OF WORK

The Department of Personnel and Administration (DPA) is requesting state funds to hire an outside consultant to work with the Office of the State Architect to develop a comprehensive master plan for the Capitol Complex. The project will realize energy and lease cost savings, and avoid inefficiencies in the future renovation, development, and construction of facilities within the Capitol Complex. The project will also prioritize need and develop implementation plans for proposed relocations and renovations within the Capitol Complex. Lease savings may be realized through the relocation of various state agencies located near the Capitol Complex. According to the department, the state leases about 585,000 square feet of office space within one mile of the downtown Capitol Complex. The Capitol Complex consists of 17 buildings, including the State Capitol, 9 buildings and 20 acres adjacent to the State Capitol, and 6 buildings located in other parts of Denver. See "Program Information" section for the full list of facilities included in the Capitol Complex.

According to the department, it began work on a master plan in 2008, but funds for the project were later rescinded as a result of the economic downturn. Before the project was suspended, a consultant conducted interviews with representatives of all the state agencies occupying owned and leased space in and near the Capitol Complex. A total of 92 interviews were conducted. In addition, the consultant conducted a physical condition assessment of three buildings within the Capitol Complex. The department says this project will begin with the verification and analysis of the data collected in 2008. Specifically, the project will:

- determine space utilization needs for state agencies located in and near the Capitol Complex;
- prioritize the location of various agencies based on their service functions and their symbolic importance;

Fiscal Year 2013-14 Capital Construction Request

Personnel and Administration

Capitol Complex Master Plan — 2013

- identify opportunities for collocating agencies;
- identify tenants in leased space that could be relocated to state-owned facilities within the Capitol Complex;
- identify opportunities for energy cost savings and improved sustainability within state-owned facilities;
- assess and improve security for state-owned facilities, especially for those agencies performing sensitive government functions;
- establish guidelines regarding the appropriate use and maintenance of grounds within the Capitol Complex;
- assess existing parking capacity and identify the current and future need for Capitol Complex tenants, including the location of parking facilities;
- establish guidelines for future development within the Capitol Complex;
- suggest financing options for future improvements and development; and make recommendations on buying, selling, building, or leasing properties in the Capitol Complex based on factors such as land use and centralization versus decentralization of state functions.

PROJECT JUSTIFICATION

According to the department, a short-term approach to decision-making regarding facility use within the Capitol Complex has resulted in costly decisions by the state, including the purchase of inefficient buildings, the poor development of land, the location of state agencies in leased space or away from centralized government functions, and the movement of tenants from state-owned properties without a plan to backfill the vacated space with new tenants. The department says it needs a long-term plan in order to effectively maintain, upgrade, buy, and sell assets within the Capitol Complex. Many of the facilities within the Capitol Complex are aging and a strategic approach to prioritizing and funding controlled maintenance and renovation is needed. According to DPA, most buildings within the Capitol Complex are not energy efficient, have lost overall value because of deferred maintenance needs, and are not configured to modern standards of space utilization. A master plan will also allow the department to address competing agency interests in a fair and strategic fashion, says DPA. Additionally, a performance audit was published by the Office of the State Auditor in December 2012 which analyzed the state's leasing practices and capital asset management and recommended the development of a Capitol Complex master plan in order to maximize the value of the state's real estate assets, reduce facility costs, and support funding decisions.

The department provides several examples of uncoordinated and inefficient decision-making in the absence of master planning guidelines. In particular, the department cites the following:

- In 1998, the state purchased land adjacent to the Department of Revenue (DOR) offices at 18th and Pierce Street in order to build an addition to the existing building and to consolidate the department's functions at a single site. A project architect completed design development, and a plan was put in place to vacate another DOR facility (the Capitol Annex, located at the 14th and Sherman) once the addition was complete in order to temporarily house personnel from the State Capitol building during the Capitol life-safety project and for later use by permanent legislative branch tenants. However, the DOR addition to the 18th and Pierce Street facility was later cancelled, while renovations to the Capitol Annex as part of the Capitol life-safety project proceeded. The department says that DOR operations are currently still divided between two locations, the overall condition of the facility is very poor because only the most critical life-safety concerns were mitigated during the Capitol life-safety project, and potential state tenants are located off-site because no space can be made available in the Capitol Annex.
- In 2005, most of the Department of Personnel and Administration was moved from a centralized location within the Capitol Complex to offsite leased space. The department contends that an agency's function and its location should be matched. Since DPA is responsible for managing the Capitol Complex and for providing services to other state agencies, it should be centrally located within the Capitol Complex.
- An Urban Land Institute study commissioned by the Judicial Branch claimed that the construction of a parking garage at the corner of 14th and Lincoln was inappropriate because the state placed a service function adjacent to the Capitol building and fronting Civic Center Park, both of which are highly symbolic and formal governmental entities.
- The demolition of the Woodward House and the deterioration of the cast iron structure of the State Capitol building evidence the fact that the state has never hired a consultant to periodically assess the condition of its historic properties. DPA says the state allowed the Woodward House to deteriorate to a point that renovation was no longer

Fiscal Year 2013-14 Capital Construction Request

Personnel and Administration

Capitol Complex Master Plan — 2013

feasible.

Private sector leases. The department explains that the state has more than 415 private-sector leases, of which 20 are located within one mile of the State Capitol. These 20 leases account for about 585,000 square feet of leased space and a total cost of about \$10.6 million per year, which represents a \$1.9 million increase over FY 2011-12. DPA explains that identifying opportunities to relocate agencies from leased to owned property will likely result in significant cost savings. According to DPA, rent prices in downtown Denver have increased 30 percent in the last two years. The department assumes that these rates will continue to increase 3 to 4 percent annually. The average cost of space rented in downtown Denver by state agencies is \$18.64 per rentable square foot as compared to a cost of \$12.84 per rentable square foot for Capitol Complex tenants. Based on current rent prices, relocating some agencies to state-owned facilities within the Capitol Complex would save an average of \$5.80 per rentable square foot.

PROGRAM INFORMATION

The department provides centralized human resources, programs, and services to most state agencies and employees. Additionally, it manages the centralized state procurement system, administers the budget, ensures code compliance for all state-owned facilities, and archives legislative and other government documents. It also manages the Capitol Complex through the Division of Central Services.

The Capitol Complex is comprised of the following facilities:

- 200 East 14th, Legislative Services Building (Legislative Branch);
- 200 East Colfax, State Capitol Building and Grounds, including Lincoln Park (Legislative Branch, Governor's Offices, Treasury);
- 201 East Colfax, State Office Building (Department of Education);
- 251 East 12th (Department of Labor and Employment);
- 690 Kipling, Lakewood (Department of Public Safety);
- 700 Kipling, Lakewood (Departments of Agriculture and Public Safety);
- 1001 East 62nd (three buildings, Secretary of State, Department of Personnel and Administration);
- 1313 Sherman, Centennial Building (Departments of Local Affairs, Natural Resources, and Personnel and Administration);
- 1341 Sherman, Power Plant;
- 1350 Lincoln Street, James Merrick Parking Facility;
- 1375 Sherman, Capitol Annex Building (Department of Revenue);
- 1525 Sherman, State Services Building (Department of Personnel and Administration, Legislative Branch);
- 1570 Grant (Department of Health Care Policy and Financing);
- 1575 Sherman, State Human Services Building (Department of Human Services); and
- 1881 Pierce (Department of Revenue).

LEED CERTIFICATION INFORMATION

The project is not required to comply with the provisions of Senate Bill 07-051 regarding the High Performance Certification Program because it does not involve the renovation, design, or construction of a physical facility.

PROJECT STATUS

This is a new request.

SOURCE OF CASH FUNDS

This project is not funded from cash sources.

Fiscal Year 2013-14 Capital Construction Request

Personnel and Administration

Capitol Complex Master Plan – 2013

STAFF QUESTIONS AND ISSUES

1. Do the lease totals in the request documents reflect the pending relocation of Department of Personnel and Administration employees from downtown leased space into the Capitol Complex?

No. The Department of Personnel and Administration (DPA) was not included because the lease evaluation was conducted subsequent to the decision that DPA was moving to 1525 Sherman. Because the determination had already been made to move DPA to 1525 Sherman, the intent was only to review and plan for the remaining leased space within the Capitol Complex.

2. Are future appropriations anticipated to update or maintain the master plan, or can it be updated by existing personnel and within existing resources once it is completed?

The master plan may recommend that a permanent facility planning function be created perhaps within the Office of the State Architect. It is also possible that it may recommend updating the plan at regular intervals. Additional personnel and resources would be required to maintain a facility planning function, however no definite decisions have been made at this time.

3. The FY 2013-14 request amount is \$1.1 million greater than the amount requested for FY 2012-13. What additional work is contemplated under the current request?

In addition to completing facility condition assessments of each building and then prioritizing long term building renovations based on condition, the Department anticipates that the plan will also include strategies and options for the two to three buildings in the poorest condition. The analysis will compare partial system replacement vs. total renovation, construction of the entire building vs. several floors at a time, potential energy savings resulting from building envelop upgrades and mechanical/electrical system upgrades, reconfiguration of offices and workstations to higher density layouts, and, finally, actual moving and interim lease costs. The Department anticipates selecting an option based on the analysis, which would then be the basis for capital construction requests.

The lease rates in the downtown Denver area continue to increase. The limited Build/Buy/Lease analysis that was undertaken for the Colfax and Lincoln site will be re-evaluated in light of current market, financial, and construction cost data and with potential state tenants identified along with their specific needs.

All four master plans that have been requested – 2001, 2008, 2012 and now 2013 – have included an urban design component. Urban design provides the context for a comprehensive master plan that is focused on asset management. The urban design component in the 2013 request has been expanded to reflect a more interactive process with the City of Denver, the Capitol Hill Urban Neighborhood organization, the Civic Center Conservancy, other neighborhood organizations, and interested private land owners and members of the private sector. In addition, the interaction and integration of the west lawn of the Capitol and Lincoln Park and Civic Center will be evaluated.

4. What state agency or agencies currently occupy the buildings at 1001 East 62nd Avenue?

The buildings at 1001 East 62nd Avenue are referred to as the "North Campus" for the Department of Personnel and Administration (DPA). They house DPA's Integrated Document Solutions group including microfilm, printing, design, and mail services, in addition to State Fleet Management and storage for the Colorado State Archives. Other agencies have small operations in the buildings, including the Department of Labor and Employment's gasoline testing laboratory, and the Community College of Denver's welding program.

PLEASE SEE BELOW FOR THE DEPARTMENT'S RESPONSES TO QUESTIONS ASKED DURING THE FY 2012-13 BUDGET CYCLE:

1. How will the Office of the State Architect be involved in the development of the master plan and associated project recommendations?

The Office of the State Architect (OSA) would serve as project director and manage the project. OSA would draft the RFQ, identify members of the selection committee, and manage the consultant that would be responsible for data

Fiscal Year 2013-14 Capital Construction Request

Personnel and Administration

Capitol Complex Master Plan – 2013

collection, data analysis, and report production.

2. How does the physical condition assessment conducted in 2008 and proposed for this project differ from that conducted annually by the Office of the State Architect?

State agencies are responsible for conducting condition audits on their facilities as part of the controlled maintenance process; the audits which are based on known needs are conducted by an agency's maintenance staff. The physical condition assessment that was conducted by the master planning consultant in 2008 (three buildings were completed before de-appropriation) and proposed for this project were conducted by mechanical, electrical, fire protection, and structural engineers and architects. System deficiencies were then evaluated by a cost consultant. These assessments were broader in scope and complexity and were focused on long term facility renovation and upgrades.

3. The CC-C narrative references the fact that the department consulted master plans in several other states. What information was learned from this research?

While the format for various states' master plans may differ, they are all used to strategically guide decision making concerning facilities. Master plans assess current owned facilities and leased facilities, their condition and their costs and how the facilities match agency, legislative, and elected official needs. Most of the master plans anticipate future facility needs in ten year intervals; this may include the potential development of opportunity sites (Colorado's Capitol Complex currently has three). Many master plans address the development of building design, landscape, signage, lighting, monument, circulation and historic property standards. Finally, several states included chapters on financing strategies in order to implement the recommendations of the master plan.

4. According to the CC-C narrative, the development of a master plan will allow the department to address competing interest amongst various state agencies. How will a master plan address this issue?

The master plan will provide an orderly process to gather data, analyze agency needs, and make recommendations based on identified priorities. Currently when Capitol Complex space becomes available, the process is the equivalent of a land grab, i.e. the agency that gets there first gets the space; not the agency that has the greatest need. In addition, the successful agency may get the available space but the space may not satisfy the agency's total identified need.

5. How does the department determine the cost per rentable square foot for Capitol Complex facilities?

Capitol Complex Leased Space

The Capitol Complex Leased Space line item pays the maintenance and upkeep for the Capitol Complex facilities owned by the State. Essentially, this includes all of the grounds and buildings in the Denver Capitol Complex (Denver, Pierce St., and North Campus) which encompass approximately 900,000 square feet of building space and includes housekeeping, grounds maintenance, and property management functions. In addition, the Department also manages two satellite campuses in Grand Junction and Camp George West.

Methodology

The Department of Personnel and Administration is required by statute to only recover the costs associated with operating and maintaining the buildings within the Capitol Complex system. Therefore, the Department is not allowed to consistently under- or over-recover funding from the departments and programs that are charged for the state-owned space. One-time adjustments, such as fund-balance corrections, federal fund balance corrections, and the like are exempt from this requirement as the on-going operation of the fund itself requires adjustment from time to time.

Like many of the other operating common policies, the Capitol Complex Leased Space allocations are determined by aggregating all of the costs associated with maintaining the program and then splitting the total costs among all agencies as equitably as possible. For Capitol Complex, this means combining expenditures such as Personal Services, Personal Services POTS allocations, operating common policy costs, utilities, depreciation, programmatic overhead, and indirect costs. In general, these costs are aggregated for each of the three primary campuses: Camp George West, Grand Junction, and Denver. Once the total costs are determined, the Department calculates the

Fiscal Year 2013-14 Capital Construction Request

Personnel and Administration

Capitol Complex Master Plan – 2013

effective rate per square foot by dividing the total cost of operation by the total number of square feet in the complex. Once the costs are aggregated, the Department allocates the total cost among each agency as a proportion of the square footage each agency occupies at each campus. Note that for Camp George West, only a portion of the utility bills (water and sewer) are allocated in the rate and all other utilities are charged directly to each agency.

OPERATING BUDGET

This project has no impact on state operating costs.

PROJECT SCHEDULE

	Start Date	Completion Date
Issue RFQ	Summer 2013	Fall 2013
Contract with Consultant	Fall 2013	Fall 2013
Gather Data	Fall 2013	Fall 2014
Final Report		Fall 2014