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MEMORANDUM

March 3, 2015

TO: Capital Development Committee

FROM: Matt Becker, Research Analyst, 303-866-4785

SUBJECT: Capitol Complex Master Plan

Summary

The Capitol Complex Master Plan (CCMP) is a ten-year facilities master plan for the buildings and grounds in the Capitol Complex. It was completed in December 2014 by a consultant team hired by the Department of Personnel and Administration (DPA). A November 2012 state audit recommended a master plan for the Capitol Complex as a mechanism for long-term planning. The General Assembly appropriated \$2.0 million in the 2013 Long Bill for the master plan, and Senate Bill 13-263 authorized the scope of the master plan. The master plan provides long-term planning strategies related to state agency space needs, building conditions, urban design goals, and real estate assessments. It also identifies 25 potential projects that could be implemented over the next ten years, with a total cost of \$691 million. The master plan is subject to final approval from the Governor's Office of State Planning and Budgeting (OSPB) and the Capital Development Committee (CDC). DPA says approval of the master plan is not intended to reflect approval of individual projects, or to supersede other state agency facility master plans that may exist. Funding for any project identified in the CCMP is still subject to approval by the CDC through the annual capital budget process.

Background

Current law gives executive directors of state departments the authority to review and approve facilities master plans and facilities program plans for all capital construction projects of the department on state-owned or state-controlled land, regardless of the source of funds.¹ Additionally, the executive director of each state agency is charged with annually establishing a five-year capital improvement plan. Prior to approving a facilities master plan or a facilities program plan for any capital construction project to be constructed, operated, and maintained solely from fees, gifts and bequests, grants, revolving funds, or a combination of such sources, current law

¹Section 24-1-136.5, C.R.S.

directs an executive director to request and consider recommendations from the CDC and the Joint Budget Committee (JBC) regarding the plans.

The last facilities master plan for the Capitol Complex was completed by DPA more than 25 years ago. In 2008, DPA began working on a comprehensive master plan for the Capitol Complex. However, the project was suspended because funding was rescinded as a result of the economic downturn. In recent years, DPA, the CDC, and other stakeholders, began discussing the need to renew work on a master plan for the Capitol Complex. Furthermore, a November 2012 audit published by the Office of the State Auditor² states: "The State generally lacks a comprehensive mechanism for long-term planning (such as a master plan) for its real estate assets. Such a mechanism could assist the State in its efforts to maximize the value of its real estate assets, reduce facility costs and support funding decisions."

DPA submitted a FY 2013-14 capital budget request to the CDC for \$2.0 million to undertake the CCMP. The CDC recommended funding for the project to the JBC in February 2013, and the General Assembly appropriated \$2.0 million for the CCMP in the 2013 Long Bill.

Capitol Complex Master Plan scope. The scope of the CCMP was authorized by Senate Bill 13-263 and includes state-owned buildings, parking lots, and other facilities managed by Capitol Complex Facilities (CCF). SB 13-263 directed DPA to engage with a consultant to develop a master plan to be completed by December 1, 2014. The scope of the master plan includes:

- determining space utilization needs for state agencies located in and near the Capitol Complex;
- identifying opportunities for co-locating state agencies;
- identifying opportunities for energy cost savings and improved building sustainability within state-owned facilities;
- establishing guidelines regarding the appropriate use and maintenance of the Capitol Complex grounds;
- assessing the existing parking capacity and identifying current and future parking needs for Capitol Complex tenants, including the location of parking facilities;
- establishing guidelines for future development within the Capitol Complex, including a multi-year plan for:
 - new and renovated capital construction projects;
 - controlled maintenance projects; and
 - real estate acquisition or disposition transactions, as applicable;
- reviewing the pedestrian circulation around the Capitol Complex;
- suggesting financing options for capital construction; and
- making recommendations on buying, selling, constructing, financing, or leasing properties in the Capitol Complex.³

Currently, CCF manages 11 buildings and the grounds near the State Capitol, as well as 6 additional facilities owned by DPA and managed by CCF in the Denver metropolitan area and in Grand Junction. A complete list of facilities considered by the CCMP can be found in Attachment A.

²*Performance Evaluation of State Capital Asset Management and Lease Administration Practices, Office of the State Auditor, (November 2012).*

³Section 24-82-101 (3), C.R.S.

The CCMP does not address institutions of higher education or the five executive branch departments that are not housed in DPA-owned buildings or adjacent downtown Denver leased space, including the departments of Agriculture, Corrections, Military and Veterans Affairs, Public Health and Environment, and Transportation. It also does not address other department-owned or leased space outside of downtown Denver, such as most of the facilities occupied by the Department of Human Services. The CCMP evaluates the agency needs of Capitol Complex tenants and other state agencies housed in nearby privately owned buildings.⁴

Consultant team. The Office of the State Architect (OSA) issued a Request for Qualifications for architectural consulting services for the CCMP in May 2013. Two Colorado-based firms submitted responses. Both were determined to be qualified and were interviewed in July 2013. A member of the General Assembly served on the selection committee. RNL Design was selected for the project, and the contract was executed in August 2013. In addition to several Colorado-based engineering, cost estimating, and security sub-consultants, the RNL multi-disciplinary team included the services of Wallace Roberts Todd, a Pennsylvania firm with expertise in state capitol complex master planning, and Carter Goble Lee, a South Carolina firm with experience in needs analysis and programming of governmental facilities. RNL completed and delivered the final master plan in December 2014.

Master Plan Key Findings

The master plan provides long-term planning strategies based on state agency needs, existing building conditions, urban design goals, and real estate assessments related to the lease market and construction costs. The CCMP is subject to final approval from OSPB and the CDC.⁵

Build/buy/lease analysis and agency needs. The CCMP recommends relocating state departments and programs from commercial lease space to state-owned facilities, in order to:

- co-locate agencies in consolidated high-efficiency office space with higher occupant densities using adequate per person space standards;
- provide for cost savings in state-owned space (after 30 years), as opposed to making lease payments in perpetuity; and
- protect the state against fluctuations in the lease-rate market.

The master plan projects an employee growth rate of 5.5 percent for the Capitol Complex over the next ten years, based on historic FTE allocations. It calls for a strategy to construct 550,000 square feet (SF) of new state-owned office space, in order to reduce the 39 percent of state agencies currently located in commercial leased space in the downtown Denver area. Some state agencies' growth patterns have required them to expand into commercial lease space. Others are located entirely in commercial lease space. The master plan also recommends increasing the number of employees located in existing space through efficient space planning (e.g., 220 SF per FTE in most offices).

Facility assessments. Facility condition assessments were conducted on all Capitol

⁴These agencies include: the Governor's Office; the Office of Lieutenant Governor; the Secretary of State; Department of Treasury; Department of Education; Health Care Policy and Financing; Department of Higher Education; Department of Human Services; Department of Labor and Employment; Department of Local Affairs; Department of Natural Resources; Department of Personnel and Administration; Department of Public Safety; Department of Regulatory Agencies; Department of Revenue; and the General Assembly and the legislative service agencies.

⁵Section 24-82-101 (3)(b), C.R.S.

Complex facilities. Though all buildings have maintenance needs, eight buildings were identified as needing timely attention, either through an upgrade or a comprehensive renovation. The CCMP highlights issues at these buildings related to the life safety of visitors and tenants and the potential loss of use and functionality. Most notably, the Capitol Annex Building at 1375 Sherman Street and the Centennial Building at 1313 Sherman Street both need a complete renovation and systems replacement to be appropriate for ongoing, long-term use. The remainder of CCF-managed facilities are in need of upgrades, due to a history of deferred maintenance and a backlog of capital improvement needs. The comprehensive list of system upgrades are contained in the CCMP and outlined in individual needs assessments for each facility. The plan also recommends energy and water efficiency improvements and the creation of a Sustainability Manager position for the Capitol Complex.

Urban design. The master plan noted that there is no clear identity for the Capitol Complex. An overall goal of the CCMP is to transform the character of the Capitol Complex from a single-use office building district to a vibrant urban neighborhood, with the Capitol at its core. The CCMP makes several recommendations with this goal in mind, including:

- increasing residential and retail development;
- a cohesive signage, wayfinding, and streetscape program;
- development of a multi-modal (vehicle/bicycle/pedestrian) "Capitol Mall" along Sherman Street;
- improving circulation and pedestrian connectivity at strategic intersections; and
- improvements to the Capitol grounds.

Many of these improvements will require partnerships with the private sector and/or other public agencies, such as the City and County of Denver and the Regional Transportation District. According to the CCMP, specific projects, such as the construction of a new state-owned, mixed-use office building can have multiple benefits, such as providing retail amenities as well as state-owned office space for state agencies that currently lease commercial space.

Benchmarking with other states. Through researching, interviewing, and surveying the best facility management practices of ten other states,⁶ the master plan offers several recommendations related to long-term capital planning. The master plan found that much of the deteriorated condition of state office buildings can be attributed to the lack of a dedicated funding source for deferred maintenance and regular building upgrades. The CCMP recommends budgeting 1.5 to 2.0 percent of the replacement value of existing assets per year for this purpose. The existing OSA goal is to provide 1 percent of the replacement value per year for controlled maintenance and an additional 1 to 3 percent per year for capital renewal and renovation. The master plan also recommends integrating a dedicated planning function within OSA. Other considerations include:

- a new statutory requirement for a statewide, long-range facilities plan;
- reviewing and upgrading the state's facilities management system;
- using published standards to compare the lease rates and maintenance costs of state agencies to the private sector; and
- the use of alternative financing structures.

⁶The CCMP also surveys the ten states for insights on prioritization of capital construction projects, approaches to long range planning, facilities management structure, and funding strategies. As an additional resource, the National Association of State Budget Officers completed the report *Capital Budgeting in the States* in Spring 2014, which provides a 50-state survey. The report is available upon request from Legislative Council Staff.

Potential projects. The master plan's overall recommendations serve as a strategic vision for future capital projects within the Capitol Complex. The CCMP also identifies specific projects in order to implement these planning strategies. Priority projects include the construction of a new state-owned building at Colfax and Lincoln, the "Capitol Mall" on Sherman Street, and the renovations of the Capitol Annex and Centennial Buildings. The CCMP also lays out possible renovation and development options, including potential sites for the construction of new state-owned buildings. The master plan identifies a total of 25 potential projects that could be undertaken over the next ten years. The total cost in 2014 dollars is \$691 million.

Conclusion and CDC Approval

The CCMP is an integrated document intended to guide the long-range facility plan for the Capitol Complex, based on the projected service needs of state agencies, space standards comparable to highly efficient public and private entities, and the goal of relocating state agencies from commercial leased space to state-owned office space. DPA says it is intended to be used as a roadmap for capital investment related to the Capitol Complex over the next ten years. Funding for any project identified in the CCMP is still subject to approval by the CDC through the annual capital budget process. The CCMP is subject to final approval from OSPB and the CDC. However, CDC approval of the master plan is not intended to reflect approval of individual projects, or to supersede other state agency facility master plans that may exist.

Excerpt from Section 24-82-101, C.R.S.

(3) (a) The department of personnel shall enter into competitive negotiations for the acquisition of professional services, as specified in part 14 of article 30 of this title, to develop a master plan for the capitol complex.

(b) The master plan is subject to final approval from the office of state planning and budgeting and the capital development committee. The master plan must be completed no later than December 1, 2014, and shall:

(I) Determine space utilization needs for state agencies located in and near the capitol complex;

(II) Prioritize the location of various state agencies based on their service functions;

(III) Consider the symbolic importance of certain capitol complex buildings and grounds;

(IV) Identify opportunities for co-locating state agencies;

(V) Identify the most appropriate use of state-owned and leased space for state agencies;

(VI) Identify opportunities for energy cost savings and improved sustainability within state-owned facilities;

(VII) Assess and improve security for state-owned facilities, especially for those state agencies performing sensitive government functions;

(VIII) Establish guidelines regarding the appropriate use and maintenance of grounds within the capitol complex;

(IX) Assess existing parking capacity and identify the current and future need for capitol complex tenants, including the location of parking facilities;

(X) Establish guidelines for future development within the capitol complex, including a multi-year plan for:

(A) New and renovated capital construction projects;

(B) Controlled maintenance projects; and

(C) Real estate acquisition or disposition transactions as applicable;

(XI) Review the pedestrian circulation around the capitol complex;

(XII) Suggest financing options for future improvements and development;

Excerpt from Section 24-82-101, C.R.S. (Cont.)

(XIII) Make recommendations on buying, selling, constructing, financing, or leasing properties in the capitol complex based on factors such as land use and centralization versus decentralization of state functions; and

(XIV) Address any other issues that the office of the state architect deems important in relation to the goals of the master plan.

(c) Notwithstanding any law to the contrary, all real estate-related capital requests by executive branch departments or the legislative branch for the capitol complex shall be evaluated by the office of state planning and budgeting and the capital development committee against the capitol complex master plan developed pursuant to paragraph (a) of this subsection (3).

(d) The capitol complex master plan shall be kept and maintained by the office of the state architect.

(e) (I) The capitol complex master plan may be modified by the department of personnel on an as-needed basis, subject to approval by the office of state planning and budgeting and the capital development committee.

(II) At a minimum, an updated capitol complex master plan must be completed by the department of personnel every ten years. Prior to completion of the updated master plan, the department of personnel shall seek approval from the office of state planning and budgeting and the capital development committee of all amendments to the master plan.

(f) For purposes of this subsection (3), the "capitol complex" includes the following buildings, facilities, and surface parking lots:

(I) 1570 Grant street, Denver;

(II) 1575 Sherman street, Denver;

(III) 1525 Sherman street, Denver, and the surface parking lots located west and north of the building;

(IV) 201 East Colfax avenue, Denver, and the surface parking lot located north of the building;

(V) The state capitol building and grounds, 200 East Colfax avenue, Denver;

(VI) 200 East 14th avenue, Denver;

(VII) 1375 Sherman street, Denver;

(VIII) 1341 Sherman street, Denver;

Excerpt from Section 24-82-101, C.R.S. (Cont.)

(IX) 1313 Sherman street, Denver, and the surface parking lot located north of the building;

(X) 1350 Lincoln street, Denver;

(XI) 251 East 12th avenue, Denver;

(XII) 690 Kipling street, Lakewood;

(XIII) 700 Kipling street, Lakewood;

(XIV) Executive residence, 400 East 8th avenue, Denver;

(XV) 1881 Pierce street, Denver;

(XVI) North campus buildings (north, east, and west), 1001 East 62nd avenue, Denver; and

(XVII) Any other buildings, facilities, and surface parking lots belonging to the capitol complex acquired after May 28, 2013.

HISTORY: Source: L. 17: p. 115, § 2.C.L. § 391.CSA: C. 158, § 3.CRS 53: § 130-8-1. C.R.S. 1963: § 134-1-1.L. 75: Entire section amended, p. 819, § 10, effective July 18.L. 79: Entire section amended, p. 887, § 8, effective July 1.L. 91: Entire section amended, p. 861, § 3, effective May 16.L. 95: Entire section amended, p. 656, § 78, effective July 1.L. 2012: Entire section amended, (HB 12-1348), ch. 163, p. 572, § 2, effective August 8.L. 2013: (3) added, (SB 13-263), ch. 344, p. 2002, § 1, effective May 28.L. 2014: (3)(f)(XVII) amended, (HB 14-1387), ch. 378, p. 1850, § 55, effective June 6.