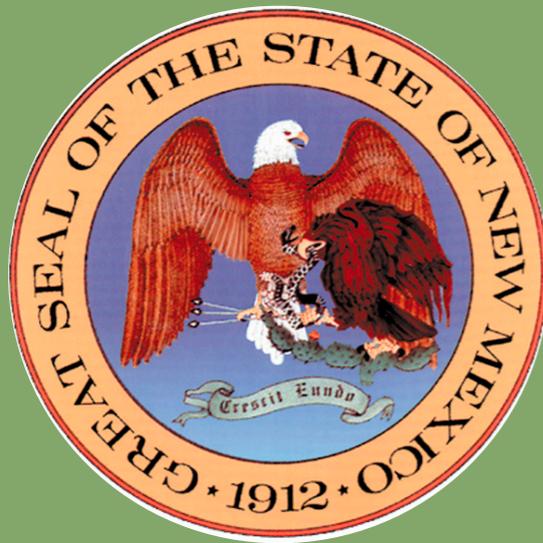


Capitol Master Plan

Capitol Buildings Planning Commission

November 8, 2011



Area Plan Strategy Updates
Implementation Strategies for Asset
Management

Address Questions

Topics

- ✓ **Updates on Santa Fe, Albuquerque, and Las Cruces Plans**
- ✓ **Implementation Strategies for Asset Management**
- ✓ **Questions**
 - ▶ ***Are there gaps in prioritization criteria for strategic asset management?***
 - ▶ ***Distribution of state facilities of comparison states?***
 - ▶ ***State office construction costs in surrounding states?***
 - ▶ ***How to assess economic impact of a project on the local community?***

✓ Current strategies

- ▶ ***Seek to decrease overall lease expense by developing consolidated state facilities in Santa Fe (HHS, EOB), Albuquerque, and Las Cruces***

✓ What's changed since plan was developed

▶ ***Continuing economic downturn***

- *Some downsizing of state staffing – impacts demand for leased office space*
- *Commercial office vacancy rate has increased in all the areas*
 - Creates more competition – more opportunities for renegotiation when leases expire
 - More opportunities to acquire existing buildings – purchasing an existing buildings is generally less expensive than building new

- ▶ ***No recommended change in overall strategy presented in June 2011***
 - *Monitor for potential to acquire existing buildings*
 - Difficult to move quickly to take advantage of acquisition opportunities (need legislative appropriation and executive approval)
 - Examine potential to create a property acquisition fund that can be used with appropriate oversight (creating a strategic land bank is a CBMP principle)

✓ Conduct condition assessment of all facilities except Higher Education and Public Schools

▶ **External contractors should perform assessments**

- *Will require full time commitment during assessment process (anticipate about 18 months)*
- *Using existing state staff is not practical due to their other duties*

▶ **Management**

- *GSD PCD should manage the process taking advantage of other state facility professional assessment and other expertise as appropriate*
- *A committee representing the major agencies who occupy / control facilities should be established to provide input and monitor progress*
- *Capitol Buildings Planning Commission should provide general oversight / review*

▶ **Deliverable should:**

- *Identify building condition, develop a prioritized list of repairs needed and associated costs*
- *Identify current use, and office capacity*
- *Integrate collected data into the state building inventory / database*

✓ Assist agencies to develop facilities master plans

▶ **Purpose**

- *Improve linkage between strategic planning and capital planning*

▶ **Tasks**

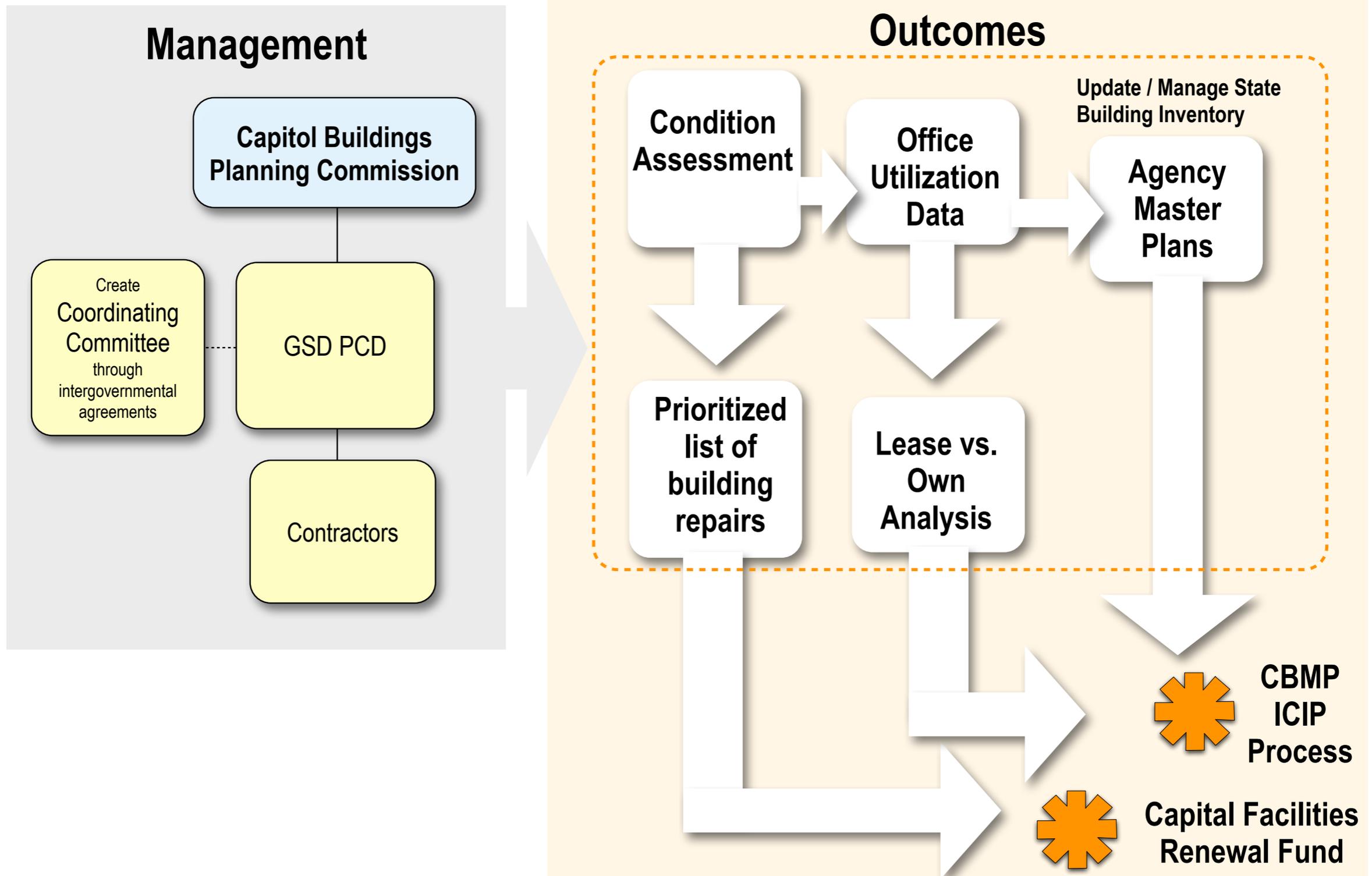
- *Develop guidance material*
- *Conduct pilot plan of an agency master plan*
- *Assist other agencies to complete master plans*

▶ **Who**

- *Primarily external contractors*
- *Managed by GSD PCD*

Plan Type	Major Focus
Capitol Buildings Master Plan	Policies and Principles to meet long-range space needs of state government
Campus Master Plans	Supply and demand issues of specific state campuses
Strategic Plans	Vision, mission, goals, objectives, strategics and performance measures
Agency Master Plan	Focus on linking agency strategic planning and implications for facilities (anticipated staffing, functional and operational requirements, existing facilities, gaps to meet strategic mission)

- ✓ **Prepare a prioritized plan to address capital facilities renewal**
- ✓ **Implement**
 - ▶ ***Establish reliable source of funds for capital building renewal***
 - ▶ ***Implement capital building renewal program***
 - *Fund planning and implementation by assessing an administrative fee on each project*
 - ▶ ***Input into Capitol Buildings Master Plan and state capital improvement process***



✓ Cost of a Condition Assessment

	GSF	Cost	Cost / GSF	Date
PCD ISES	250,000	\$31,238	0.125	2006
	3,379,094	\$419,461	0.124	2009

PSFA

FMP District Size Category's	District Gross Square Footage	PSCOC Expected Cost per Gross Sq. Ft.
Large District	800,000 Plus Gross Sq. Ft.	\$0.10
Medium District	300,000 to 800,000 Gross Sq.	\$0.13
Small District	120,000 to 300,000 Gross Sq.	\$0.21
Extra Small District	120,000 and Under Gross Sq.	\$0.37

ARC Experience

Cimarron Municipal Schools FMP	186,226	\$ 29,100.00	\$ 0.156
Academy of Trades & Technology EdSpec / Facilities Master Plan	35,000	\$ 20,400.00	\$ 0.583
Facilities Master Plan for Artesia Public Schools	865,000	\$ 64,400.00	\$ 0.074
Facilities Master Plan for Española Public Schools	877,200	\$ 95,600.00	\$ 0.109
Jemez Mountain Public Schools Facilities Master Plan 2010	157,608	\$ 30,100.00	\$ 0.191
Loving Municipal Schools Facilities Master Plan	149,080	\$ 37,900.00	\$ 0.254
Lovington Municipal Schools Facilities Master Plan	653,308	\$ 49,900.00	\$ 0.076
Update for Mesa Vista Consolidated Schools	865,000	\$ 27,700.00	\$ 0.032
North Valley Academy NM Ed/Spec Facilities Master Plan	35,000	\$ 21,400.00	\$ 0.611
Socorro Consolidated Schools Facilities Master Plan	407,215	\$ 51,900.00	\$ 0.127
Facilities Master Plan for Gallup McKinley County Schools	2,645,080	\$ 230,100.00	\$ 0.087
Facilities Master Plan for Bernalillo Public Schools	649,159	\$ 75,900.00	\$ 0.117
Facilities Master Plan Update for Hobbs Municipal Schools	1,324,116	\$ 132,980.00	\$ 0.100
	8,848,992	\$ 867,380.00	\$ 0.098
2008-09 Capital Master Plan Update for APS - Modified	12,839,642	\$ 971,400.00	\$ 0.076

Priority Class 1: Currently Critical (Immediate) - Projects in this category require immediate action to:

- Return a facility to normal operation
- Stop accelerated deterioration
- Correct a cited safety hazard

Priority Class 2: Potentially Critical (Year 1) - Projects, which if not corrected expeditiously, will become critical within one year. Situations in this category include:

- Intermittent interruptions
- Rapid deterioration
- Potential safety hazards

Priority Class 3: Necessary (Years 2 – 5) - Projects in this category include conditions requiring appropriate attention to preclude predictable deterioration or potential down time and the associated damage or higher costs if deferred further.

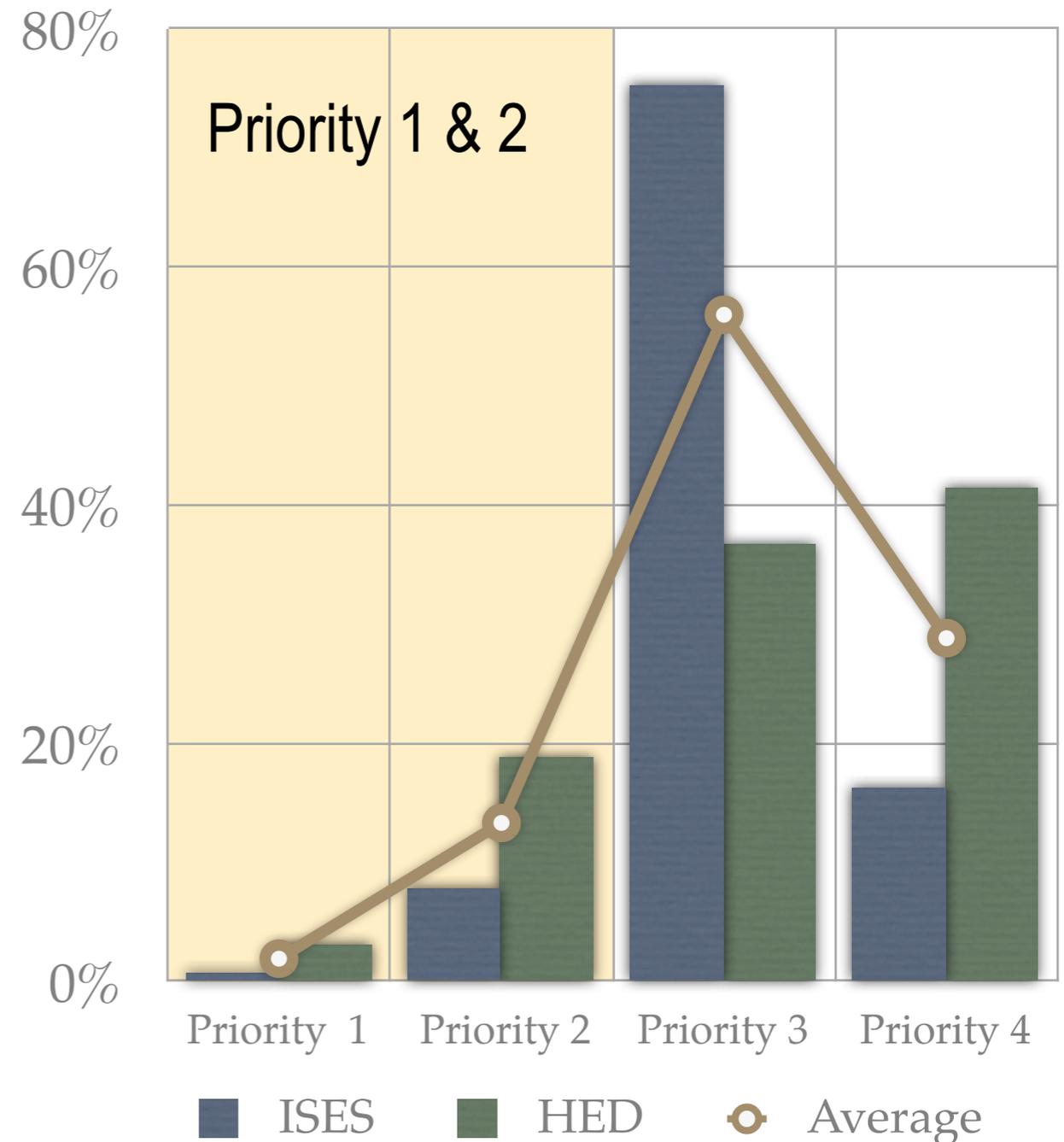
Priority Class 4: Recommended (Years 6 – 10) - Projects in this category include items that represent a sensible improvement to existing conditions. These items are not required for the most basic function of a facility; however, Priority 4 projects will either improve overall usability and / or reduce long-term maintenance.

✓ Facilities Renewal Cost

▶ **Estimated cost to address priority 1 & 2 needs = \$125-250 m or ~ \$25-50 m/year for 5 years**

✓ **Capital management costs are typically 3.5% - 5.0% of the project**

Percentage by Priority Class for Capital Facilities Renewal for Recent NM Condition Surveys
(not including public schools or higher education)



✓ Estimated Implementation Costs

Note: Long-range planning is typically 4 - 6 years with annual updates. Table assumes a six year planning cycle (identical to State of Washington) to coincide with the biennial state budgeting and bonding cycles

Six Year Costs (\$ millions)

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Total	Notes
1. Condition Assessment*	\$1.8	\$0.5	\$0.0	\$0.0	\$0.0	\$0.0	\$2.3	\$0.16 / gsf
2. Office Utilization Study (included in 1.)								
3. Inventory Update (included in 1.)								
4. Agency Master Plans Assistance	\$0.4	\$0.6	\$0.4	\$0.0	\$0.0	\$0.0	\$1.4	\$0.10 / gsf
5. Capital Facilities Renewal Fund	\$0.0	\$40.0	\$40.0	\$40.0	\$40.0	\$40.0	\$200.0	Priority 1 and 2 needs
6. State Management**	\$0.0	\$2.0	\$2.0	\$2.0	\$2.0	\$2.0	\$10.0	5% assessment of funded Capital Facilities Renewal projects

*Not including Public Schools or Higher Education

**Management of process and implementation (project scoping, coordinating architects / engineers, acquiring contractors, administering projects)

Questions

- ✓ **Are there gaps in prioritization criteria for strategic asset management?**
 - ▶ ***What prioritization criteria are used now?***
 - ▶ ***What criteria do other states use?***
 - ▶ ***Are there potential gaps?***

Questions – Prioritization Gaps

✓ ICIP for all state agencies (DFA)

▶ **Critical Criteria: Considerations may include:**

- *Is the project necessary for compliance with court orders, consent decrees, health and safety codes, or other laws and regulations?*

▶ **Strategic Criteria: Considerations may include:**

- *Is the project an implementation objective of an approved plan?*
- *Will the project eliminate sizable future costs for major construction, repair, fuel, or those associated with serious injury, illness or death? (The request addresses safety issues which do not meet Critical Criteria. Includes protecting the safety and health of occupants in owned assets.)*
- *Does the project satisfy an approved replacement schedule?*
- *Is the project urgent enough that postponement will cause the agency to lose an immediate opportunity or will it substantially increase development costs?*
- *Has the project been fully developed as to the amount and timing of costs for design, site preparation, equipment, furnishing, maintenance and operations?*
- *Will the project foster the agency's goals, such as creating, preserving or enhancing its infrastructure, reducing the cost of operation, reducing the cost of energy consumption, fostering economic vitality, or supporting development efforts in areas with a majority of low and moderate income households?*
- *Will the long-run benefits outweigh the costs of implementation of operations and maintenance?*
- *Are funds available?*
- *Can funds from other sources (such as impact fees), including the private sector, be leveraged?*
- *Does the project place excessive burdens on the agency's operating budget?*
- *Have other alternatives for meeting the need been thoroughly explored?*

✓ ICIP criteria used for agencies under PCD purview

- 1) **Critical Criteria:** Construction and renovation requests which require action in the legislative session. The critical criteria for construction and renovation projects are:
 - a) Life Safety Emergency: Immediate life safety emergencies presently exist. Corrective action is urgent and unavoidable. Emergencies must be documented by a third party.
 - b) Legal Liability: A known and substantial legal liability is currently pending; or a citation for corrective action and fines will occur unless immediate action is taken.
 - c) Prior Binding Commitments: Projects that require action in the legislative session due to previous legislative action which created a binding commitment
 - d) Timeliness of projects (follow-on phases of multi-phase projects); ability to award projects within the fiscal year;
- 2) **Strategic Criteria:** Prioritization of projects will be based upon each project's strategic need and value. The strategic criteria for construction and renovation projects are:
 - a) Strategic Linkage: Relationship between the project and the agency's strategic plan. Project provides new housing solutions (construction and acquisition) to meet the changing requirements of client agencies.
 - b) Safety Concerns: The request addresses safety issues which do not meet Critical Criteria. Includes protecting the safety and health of occupants in owned assets.
 - c) Customer Services/Statewide Significance: Geographic dispersion of the benefit.
 - d) Agency Priority: Agency's overall priority ranking of the project
 - e) Non-State financing: Percentage of non-state funding, private contributions or matching funds that can be applied against project costs.
 - f) Asset Management: History of maintenance, repair and adaptive re-use of current state assets.
 - i) Project maintains the operational viability of assets through day-to-day maintenance and repairs. Verification that the Agency has a maintenance and repair (M&R) plan in-place for their facilities outside of Santa Fe.
 - ii) Project completes planned modernization of major buildings to maintain and enhance their ability to support client agencies' missions and to enhance their value.
 - g) Operating Savings or Efficiencies: Project produces operating savings or operating efficiencies resulting in a reduction in net operating costs.
 - h) Projects Contained in Strategic Plans: Project is included in agency strategic plan or Master Plan, or identified in the state's strategic plan, or in the Capitol Buildings Master Plan.
 - i) Project alters vacant space in owned assets to relocate client agencies from leased space into state-owned space when available.

Questions – Prioritization Gaps

Building Board Process for Establishing Capital Development Recommendations

✓ Utah Criteria

- ▶ ***Project eliminates life-safety or other deficiencies in existing facilities***
- ▶ ***Project addresses essential program growth needs and space utilization***
- ▶ ***Project offers a cost-effective solution***
- ▶ ***Project improves program effectiveness and supports critical programs and initiatives***
- ▶ ***Project takes advantage of alternative funding opportunities***

- ✓ **A weighting factor places emphasis on impact to program needs over cost factors - Cost is not the driving factor**

Objectives	Evaluation Criteria	WT	Scoring Anchors
#1 The project eliminates life safety and other deficiencies in existing buildings (or infrastructure) through renewal and/or replacement.	DFCM will document whether the project eliminates identified code and life safety deficiencies including the potential impact and probability of occurrence. DFCM will provide the Board with a recommended score for this objective.	4	<p>5 = Deficiencies in existing building exceed 85% of replacement cost or a substantial threat to life and property exists based on degree of threat/probability of occurrence.</p> <p>3 = Deficiencies in existing building are 45% to 65% of replacement cost or a moderate threat to life and property exists based on degree of threat/probability of occurrence.</p> <p>1 = Deficiencies in existing building are less than 25% of replacement cost or a low threat to life and property exists based on degree of threat/probability of occurrence.</p> <p>0 = Project does not address an existing facility</p>
#2 Address essential program growth, space utilization and capacity requirements	Degree the request is driven by verified growth and space shortages. Is the request justified by demographics? Regents Office will provide recommended score for Higher Ed projects based on "Q" analysis.	4	<p>5 = Project is driven by documented substantial program space shortage and the requested space is supported by demographic data for existing demand plus a reasonable allowance for future growth.</p> <p>3 = Project is driven by documented moderate program space shortage and the requested space is supported by demographic data for existing demand and growth.</p> <p>0 = Project is not supported by demographic data or project is under size supported by demographic data.</p>
Combined Objectives #1 & #2.	For projects involving both an increase in space and the renovation or replacement of existing space, the scores for objectives #1 & #2 are combined and each score is reduced by the proportionate percentage associated with the existing facility or increase in new space.		
#3 Cost effective solutions. All Projects with a standard design and construction approach appropriate for the facility need should receive a score of 3.	Only projects with a less costly design/construction approach or bargain opportunity should receive scores higher than 3 and Only projects with more costly design/construction should less than 3.	1	<p>5 = Project has an alternative design or construction approach that is substantially less costly than the standard design/construction or represents a bargain opportunity.</p> <p>3 = Project has a cost effective design/construction approach appropriate to the facility.</p> <p>0 = Project has a design/construction approach more costly than is appropriate.</p>
#4 Improve program effectiveness and provide facilities necessary to support critical programs and initiatives.	To what degree does the project improve program effectiveness or support a critical state program or initiative other than the simple addition of space?	2	<p>5 = Project substantially improves the program effectiveness and/or support of critical program or initiative</p> <p>3 = Project moderately improves the program effectiveness and/or support of critical program or initiative</p> <p>1 = Project minimally improves the program effectiveness and/or support of critical program or initiative</p>
#5 Takes advantage of alternative funding opportunities.	What portion of the total project cost is covered by alternative funds? Has an endowment been established for O&M?	1	<p>5 = Alternative funding for the project is more than 60% of the total cost or alternative funding is significant and has established a significant endowment for ongoing O&M.</p> <p>3 = Alternative funding for the project is a considerable portion of the total cost or alternative funding has established a moderate endowment for ongoing O&M.</p> <p>1 = No alternative funding is available for this program.</p>

Questions – Prioritization Gaps

✓ State of Washington emphasis is on four primary goals:

▶ **Business Need**

- *Tied to agency strategic plan*
- *Addresses expectation of increased efficiency*
- *Looks at service delivery / geographic distribution of space needs*

▶ **Space Adequacy Condition**

- *Is a self-assessment (some but not all agencies have FCI evaluations)*
- *Required by statute to examine impact on climate change and energy management*

▶ **Use State Space Efficiently - Space Management**

- *Requires agency to examine impact of changing workforce trends and alternative work situations*

▶ **Use State Funds Efficiently - Financial Management**

- *Agency is required to identify ways to reduce facility operation costs*
- *If existing spending strategy is not effective, alternatives must be identified and analyzed for potential savings*

Questions – Prioritization Gaps

✓ State of Washington

- ▶ ***Performance measures include number of agencies with facility master plans, space improvement over time, square footage per FTE change over time, and cost per FTE change over time***
- ▶ ***Requires identification of alternatives to meet need when a deficiency is identified, or if cost control or utilization targets are not being met***
 - *Analysis of alternatives is part of the process*
- ▶ ***Plan must consider consolidations, closures, demolitions, and Governor's budget***
- ▶ ***6-year plan identifies funding and FTE necessary to implement recommendations***

✓ Texas Criteria

▶ ***Building Renewal Prioritization (based on condition assessment)***

- *Items that will negatively impact the health and safety of tenant agencies if not corrected;*
- *Items that are needed to support essential state operations; and*
- *Items that impact the cost-effectiveness of the facility.*

▶ ***Strategic Asset Management Objectives***

- *Reduce the operating expenses of facilities*
- *Satisfy the immediate and long range agency space demands*
- *Reduce the excessive dependence on commercial lease space*
- *Efficiently utilize and develop existing assets to*
 - *Maximize short-term cash flow,*
 - *Recoup the initial public investment,*
 - *Enhance the long-term value and*
 - *Allow the state to participate in the growth and performance of its assets*

✓ Observations / Recommendations

▶ ***New Mexico prioritization criteria should be unified***

- *DFA and PCD ICIP critical and strategic criteria are similar, but not identical (e.g., Is geographic dispersion of benefits important?)*
- *PCD provides criteria grouping that is clearer than DFA listing*

▶ ***In comparison to other states examined:***

- *New Mexico addresses similar concerns*
- *Other states have categories and grouping of criteria that more clearly convey state priority objectives*
- *Other states address more specifically what New Mexico alludes to – for example:*
 - Improving space utilization
 - Opportunities to collocate with other agencies
 - Protecting critical infrastructure (also a CBMP principle)
 - Project business case (justification)

▶ ***Propose a process to seek wider review and input to unify and seek improvements to state prioritization criteria***

Questions – Distribution of Facilities

✓ Distribution of State Facilities of Comparison States

- ▶ *Other states do not have readily available maps showing property distribution*
- ▶ *New Mexico is a potential model*

State	Distribution of State Facilities	Map
Utah	<ul style="list-style-type: none"> • Facilities are distributed statewide, with a concentration in Salt Lake Valley • Lease Inventory includes 449 records (not all are office leases) • Records are sorted in 30 regions (29 counties and one "other" category) 	None
Washington	<ul style="list-style-type: none"> • Facilities are distributed statewide, with a concentration in Olympia • Owned Inventory - 9054 records • Leased Inventory - 1488 records 	In Development
Texas	<ul style="list-style-type: none"> • Texas Facilities Commission oversees approximately 6m gsf of office space (4.5m usf)- primarily in 5 cities • About 5 m gsf of owned is in Austin / remaining 1m gsf is distributed but primarily in 4 other cities • Full inventory includes about 28.2m SF (owned and leased) • Amount of space is over 50k gsf in 28 cities in 25 counties • Total state workforce is approximately 62,600 employees • Inventory includes 44 office buildings / 12 miscellaneous buildings / 9 warehouses / 18 parking garages / 36 parking lots / 3 land parcels (2 cemeteries and the Esplanade in Austin) • Lease inventory includes 1490 records - available online • Leases approximately 11m gsf of office space statewide - in about 283 cities 	Map of Owned Only
Arizona	<ul style="list-style-type: none"> • Owned inventory: 3,464 facilities equalling about 22 million GSF (does not include higher ed or DOT) • Owned facilities distributed throughout the state but primarily in Phoenix (the capitol), Tucson, and Kingman • Leased inventory is about 290 leases throughout space about 3 million Isf 	Map of Owned (probably)

Questions – Building Costs

- ✓ **State office construction costs in surrounding states**
 - ▶ *Difficult to get comparable data*
 - ▶ *Large variation in cost (\$150 - \$250 MACC, \$200 - \$330 TPC estimate)*
- ✓ **Factors impacting cost (source: Jon Balis, Cost Estimator)**
 - ▶ *Construction costs in larger cities are generally higher (e.g., higher in Denver than Albuquerque. Costs in rural areas of NM and AZ are similar)*
 - ▶ **State and local taxes have a major impact on construction costs**
 - *AZ taxes are similar to NM*
 - *In Texas, there is no gross receipts tax for construction services, so a project there can save about 7% as compared to NM*
 - ▶ **Davis-Bacon wages do not necessarily increase project cost**
 - *In general, higher wages means higher construction costs - but contractors typically pay the high wages anyway*
 - *Typically, the natural level of wages in a contractor's bid is close to Davis-Bacon rates just to be able to hire the right laborers to build the projects.*
 - *Labor as a total cost is only about 40% of the total construction cost – Non-union wages would have a savings impact on just this amount (not on the materials cost)*

Questions – Local Economic Impact

✓ How to assess the economic impact of a project on a local community?

Issue	Factor	Measures
<p>Economic Impacts</p> <p>Operations</p>	<p>Direct, indirect, and induced impacts of operations</p> <p><i>(not applicable if just moving from a lease to a state-owned building)</i></p>	<ul style="list-style-type: none"> • Total output - value produced by the final demand dollars cycling through the economy. • Total earnings - the amount of total output paid in compensation. • Total employment - the number of jobs created or sustained.
<p>Economic Impacts</p> <p>Construction</p>	<p>Direct, indirect, and induced impacts of construction</p>	<ul style="list-style-type: none"> • Total output - value produced by the final demand dollars cycling through the economy. • Total earnings - the amount of total output paid in compensation. • Total employment - the number of jobs created or sustained.

Questions – Local Economic Impact

✓ Simplified approach using U.S. Bureau of Economic Analysis' Regional Input-Output Modeling System – could be added to the LCCA tool

Construction Phase	Step 1: Choose Multipliers **	Step 2: Estimate Final Demand	Step 3: Apply Multipliers	Total Final Demand (Rounded)	FV	PV
Total output	2.3339	\$62,319,650	\$145,447,831	\$145,448,000	\$145,448,000	\$133,105,524
Total earnings	0.7593	\$62,319,650	\$47,319,310	\$47,319,000	\$141,957,000	\$129,910,765
Total employment	19.3875	\$62,319,650	1,208	1,210		

Business Operations Phase*

Business Operations Phase	Step 1: Choose Multipliers **	Step 2: Estimate Final Demand	Step 3: Apply Multipliers	Total Final Demand (Rounded)	FV	PV
Total output	2.0506	\$105,983,673	\$217,330,120	\$217,330,000	\$8,693,200,000	\$2,664,959,928
Total earnings	0.7903	\$105,983,673	\$83,758,897	\$83,759,000	\$3,350,360,000	\$1,027,075,777
Total employment	17.6334	\$105,983,673	1,869	1,870		

*Based on U.S. Bureau of Economic Analysis' Regional Input-Output Modeling System

**BEA RIMS II data (www.bea.gov/regional/rims)

Size	216,764
Construction Cost	\$62,319,650
Employees	867
Assume	250 /GSF

Category	Construction	Professional
Total output	2.3339	2.0506
Total earnings	0.7593	0.7903
Total employment	19.3875	17.6334
Direct-effect employment		2.1554

Final Annual Demand **\$105,983,673** Occupancy x derived multiplier

Construction Term	3	years
Building Operation Term	40	years
Discount rate	3.0%	

✓ Other impacts

Issue	Factor	Measures
Other? Impact on local office market	Office vacancy rate <i>(The office vacancy rate is a good indicator of market strength, as it is a composite measure that includes both the demand side and the supply side)</i>	<ul style="list-style-type: none">• What % of local office market is reflected in the project• Impact of project on vacancy rate• What is the type, condition, locations of existing state offices



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