

MINUTES
of the
FIRST MEETING IN 2010
of the
CAPITOL BUILDINGS PLANNING COMMISSION

Monday, April 19, 2010
Room 311, State Capitol
Santa Fe

The first meeting of the Capitol Buildings Planning Commission (CBPC) in 2010 was called to order by Speaker of the House Ben Lujan, co-chair, on Monday, April 19, 2010, at 1:44 p.m. in Room 311 of the State Capitol in Santa Fe.

Present

Arturo L. Jaramillo, Secretary of General Services, Co-Chair
Rep. Ben Lujan, Speaker of the House, Co-Chair
Gary Giron, Secretary of Transportation
Sen. Stuart Ingle, Senate Minority Floor Leader
Sen. Timothy Z. Jennings, Senate President Pro Tempore
Larry Kehoe, Designee for Patrick H. Lyons, Commissioner of Public Lands
James Lewis, State Treasurer
Stuart Ashman, Secretary of Cultural Affairs
Katherine B. Miller, Secretary of Finance and Administration
Patrick Simpson, Deputy Director, Administrative Office of the Courts
Rep. Thomas C. Taylor, House Minority Floor Leader

Staff

Paula Tackett, Director, Legislative Council Service (LCS)
Roxanne Knight, LCS
Tom Pollard, LCS
Ric Gaudet, LCS
Bill Taylor, Director, Property Control Division (PCD), General
Services Department (GSD)
Lemoyne Blackshear, Staff Architect, PCD
Larry Miller, Deputy Director, PCD

Guests

The guest list is in the meeting file.

Handouts

Handouts and other materials provided to the commission are in the meeting file.

Monday, April 19

The minutes of the December 19, 2009 meeting of the commission were adopted.

The commission adopted its Open Meetings Act resolution for 2010.

Update on Land Appraisals and Proposed Agreement; HJR 8 (2007) — Disposition of Galisteo Property

Las Soleras Land Acquisition

Secretary Jaramillo and Director Taylor, PCD, reviewed for the commission the proposed land acquisition agreement to purchase land at the Las Soleras development for the Health and Human Services (HHS) complex. Secretary Jaramillo said that he hoped that the commission would support the project. He addressed a previous concern raised by commission members that the state was not getting the best deal possible for the land. Because those concerns were raised in September 2009, Secretary Jaramillo said that he has done his due diligence and renegotiated with the Las Soleras developers (otherwise referenced as Paseo Nuevo, Ltd. Co.) three times to improve the deal for the state.

Secretary Jaramillo reported that the appraisal process was completed, and the final consensus of appraised value for the property was \$12.25 per square foot for the C-2 zoned property (Lot 22) and \$11.00 per square foot for the C-1 zoned property (Lots 21 and 23). The weighted average price per square foot for the entire 20-acre property yielded a price of \$11.64 per square foot, for a total value of \$10.1 million. The state will pay the developers \$6 million in cash and trade 4.5 acres of land it owns in the Galisteo Business Park, appraised at \$1.9 million. The remaining amount, approximately \$2.2 million, is considered a gift from the seller. The actual consideration paid for the property, \$7.9 million, equates to a per-square-foot price of \$9.11.

The state also retains unconditional options through June 1, 2013 on two adjacent parcels (Lots 19 and 27), about 30 acres in size, for \$11.00 per square foot, which is their current appraised value. In addition, the state has the first right of refusal through June 1, 2013 on two other adjacent parcels (Lots 24 and 26) totaling about 10 acres.

Secretary Jarmillo indicated that as part of the agreement, the Las Soleras developers are required to construct a Rail Runner train station near the site, and they are required to construct roads and install infrastructure to the property line. The apportioned cost of the infrastructure the state is receiving exceeds \$6 million, said Secretary Jaramillo.

Secretary Jaramillo said that the proposed acquisition of land and development of the HHS complex meet the requirements of the Santa Fe area master planning principles, including the contribution of government operational efficiencies and business synergies; the co-location of certain state agencies' administrative functions; the promotion of convenient public access to government services; and the close proximity to a commuter rail station. The secretary emphasized that some criteria are more important than others, including location and access to

customers and employees and proximity to the Rail Runner and retail businesses. Final approvals for the Rail Runner station must be obtained by the Federal Highway Administration and the New Mexico Department of Transportation (DOT). Secretary Jaramillo noted that the GSD will come back to the commission to review the financing agreement and any additional requests for proposals and contracts. He concluded by saying he had negotiated every aspect of the agreement and the state will be paying \$2.50 per square foot less than what the parcels are worth. Additional approvals from the attorney general and the State Board of Finance (BOF) must be received for the purchase agreement and grant of option for the land acquisition.

Senator Jennings complimented Secretary Jaramillo on the current agreement, saying that the renegotiations have resulted in more cost savings to the state. He asked whether utilities delivered by the developers would reach Lots 21 and 23, which are adjacent to Lot 22, to which the land plat shows utilities being delivered. Secretary Jaramillo said that once the building location and design are completed, the state will continue the utilities to any necessary portion of the property. Jim Siebert, planning consultant for Las Soleras, said that there will be utilities along Rail Runner Road, which borders all of the property being purchased. He added that utilities will come up Rambla Road and possibly between Lots 24 and 25. The state can get access to the utilities from that source as well, he said.

Senator Jennings asked what would happen in the worst-case scenario, if Las Soleras went bankrupt and was unable to complete its obligations. Secretary Jaramillo said that all of Las Soleras' obligations will be secured by letters of security and some deposits of cash for completion of the infrastructure requirements, including the rail station.

Senator Jennings suggested that the Las Soleras land acquisition proposal be presented to the New Mexico Legislative Council and to the Legislative Finance Committee so that all legislative members can be informed of the project. He also said that City of Santa Fe officials should be apprised of the agreement because the development will affect vehicular traffic in the area. He commented that when the state vacates private leased space, the commercial real estate market is negatively affected. Ms. Tackett noted that the New Mexico Legislative Council will meet on May 12, 2010.

Senator Jennings expressed concern that reduction in federal funds to cover health care costs could have a negative impact on the state's finances.

Senator Ingle asked whether every lot that the state is purchasing will have a stub out for utilities delivered to its property line. Mr. Siebert said that the lots would have utilities and that water lines on Cerrillos Road and Richards Avenue will be linked. Mr. Siebert said every lot would have a stub for utilities.

Representative Taylor asked about the status and future ownership of the Rail Runner station. John Mahoney, developer of Las Soleras, said that the station will be completed by the time Phase 1 of the HHS complex is scheduled to open. He said that the state (e.g., DOT) will own the station, but Las Soleras will construct it according to design specifications approved by

the DOT. Currently, the environmental assessment is being conducted. The Mid-Region Council of Governments will run the station.

Secretary Miller asked about the approval process of the BOF and the attorney general. Secretary Jaramillo said that the attorney general reviews such agreements for legal sufficiency and the BOF reviews the financial details of the agreement. The GSD must work with the New Mexico Finance Authority to calculate federal lease allocation reimbursements and then to issue a request for proposals (RFP) to complete the bridging documents. Secretary Jaramillo noted that all of the RFP documents will come before the commission.

Secretary Ashman lauded the secretary's work and moved that the commission acknowledge that it has reviewed the agreement of the Las Soleras property proposal and land acquisition proposal and should proceed to the next stage. Representative Taylor amended the motion to specify that the commission will continue to review the land purchase proposal and contract subject to the attorney general's review.

Senator Jennings inquired about laborers for the construction. Karl Sommer, an attorney for Las Soleras, stated that union labor has to be used because of the scope and type of the project.

Action Item: The amended motion was adopted unanimously by the commission.

Galisteo Business Park Property Disposition

Secretary Jaramillo discussed the trade of the Galisteo Business Park property, which is part of the Las Soleras land acquisition contract. House Joint Resolution 8 in 2007 authorized the disposition of the property by the GSD, subject to review of the CBPC. The Galisteo property will be granted to the Las Soleras developers at its appraised value of \$1.9 million, which amount will be credited against the purchase price of the Las Soleras property. Secretary Jaramillo said that the property disposition will not occur if the Las Soleras acquisition contract is not executed.

Action Item: The motion to approve of the transfer, which was adopted unanimously by the commission, reads:

The Capitol Buildings Planning Commission approves of the trade of the Galisteo property described in House Joint Resolution 8 (2007), as presented by the General Services Department, as a component of the acquisition of land from Las Soleras subject to approval of the Attorney General and final review of the Las Soleras contract by the commission.

University of New Mexico (UNM) Campus — Disposition of Old Laboratory Facility — HJR 9 (2008)

Mr. Taylor, Dr. Paul Roth, executive vice president for health sciences, UNM, and Steven Beffort, vice president, institutional support services, UNM, presented to the commission the

proposed transfer to UNM of the old state laboratory facility that has housed the state laboratory, the Office of the State Medical Investigator and the Veterinary Diagnostic Services. Those entities will be housed in the new laboratory facility, and the existing facility will be transferred to UNM.

House Joint Resolution 9 in 2008 authorized the disposition of the building by the GSD. The GSD and UNM negotiated a trade in which the university will provide approximately \$1 million in utility connections for the new laboratory, as well as pay for the cost of moving from the old facility to the new facility, in exchange for the old facility, which has been appraised at \$1.9 million. Mr. Taylor said that the state ends up gaining \$58,000 from the transactions. In addition, by hooking up to the university's power grid, the state stands to save \$50,000 annually in utility costs.

Senator Jennings suggested that UNM consider setting aside sufficient undeveloped land near the new laboratory to provide room for the state forensic laboratory. He reported that studies show the forensic laboratory should be housed with the other laboratories, near other scientists. Mr. Taylor said that he thought that not much land is available in the vicinity for the forensic laboratory, and he said that initial studies have indicated that one Santa Fe site is better suited to house the state forensic laboratory than a site considered in Albuquerque (e.g., at the Youth Development and Diagnostic site). Mr. Beffort said that he supported a quad-laboratory when the initial planning for the laboratory facility was being done. Subsequently, the state (under a new administration) indicated it did not wish to place the forensic laboratory in Albuquerque. However, Mr. Beffort stated that if the state is interested in that now, then UNM would be willing to investigate the land option.

Action Item: The motion to finalize the CBPC review of the sale, trade or transfer of a building on the UNM campus, as described in House Joint Resolution 9 (2008), was adopted unanimously.

Status Report — DOT — Santa Fe Sites

Secretary Giron gave a brief presentation to the commission on the status of two projects in the Santa Fe area. First, he reported that the DOT was suspending action indefinitely on the feasibility studies for the redevelopment of the DOT headquarters and the DOT District 5 property. He said that the DOT has struggled with its budget for the past two years, and there is not enough money to justify the continuation of the redevelopment plans. He said that a public-private partnership (PPP) for the development of those properties is still a good idea but that financing of such a project currently is not possible. He thanked Secretaries Miller and Jaramillo for their help. Also, he reported that there is no contract in process and the DOT can cancel the RFP.

The second possible DOT project involved acquiring a building near the District 5 offices, located on Jaguar Road. Secretary Giron said that the DOT is not pursuing that property acquisition.

Public Comment

Vistas Caja del Rio

Michael Bodelson, an architect representing the Vistas Caja del Rio development, said that although it appears that Las Soleras will house the HHS complex, the offer of Vistas to donate 30 acres of land to the state for its HHS complex will continue to be in effect. The Vistas property is located northwest of New Mexico Highway 599 (NM 599), close to the Cultural Affairs Department (CAD) Center for New Mexico Archaeology, currently under construction.

Speaker Lujan asked if the proposed interchange on NM 599 has been funded. Mr. Bodelson said that the interchange is in the DOT's plans but has not been funded yet. Speaker Lujan said that the offer to donate 30 acres of land is significant.

The Pavilion

Gerald Chavez and Phil Sena of the Pavilion development presented to the commission a new offer for the state to consider in locating the HHS complex. The Pavilion would sell to the state 40 acres of developed land, which includes a NM 599 overpass and all utilities for \$15 million. The Pavilion would then donate \$5 million to the Santa Fe Partners in Education Foundation. The developers would also be willing to construct the HHS complex for the state on a cost-plus basis. Finally, the developers would share with the state five percent of any profits the entire development would earn for 20 years. Mr. Chavez said that the offer to the state remains if the Las Soleras deal falls through. Mr. Sena said that by purchasing land at the Pavilion, the state would immediately realize several million dollars in equity, which the developer has invested. According to Mr. Sena, water is already in place; construction is about to begin on the NM 599 interchange; and the developer is constructing a one-mile road to the Santa Fe Municipal Airport.

Secretary Ashman questioned whether the \$5 million donation would run afoul of the state's constitutional prohibition from donating money to private entities. Mr. Chavez said that the deal could easily be structured to avoid anti-donation issues.

Speaker Lujan asked if the profit-sharing provision would be legal. Mr. Chavez said that many states have PPPs in which profit sharing is a component. He estimated that the development would earn \$500 million in the first seven years of its existence, which would help the state tremendously.

Zia Station

Mark Bertram, representing Zia Station, said that it will be difficult for elected officials to justify the state spending \$200 million on an HHS complex. This may not be the best time for the state to be constructing a new building, he said. However, because it is doing so, it should have given a fair analysis to the Zia Station property, located on the corner of Zia Road and St. Francis Drive. He said that the site analysis performed by the GSD contained some mistakes, and, initially, nobody contacted the property developers to inform them of the upcoming analysis. He said that the best site for the HHS complex is actually at the state-owned DOT property adjacent to the south capitol campus; the Zia Station would be the next preferable

location. Finally, he said that vacating existing private leases will hurt the commercial real estate market in Santa Fe.

Senator Jennings said that he shares many of the same concerns expressed by Mr. Bertram. The City of Santa Fe spent untold hours dictating the stylistic facade of the capitol parking structure but does not seem the least bit interested in the fact that the commercial vacancy rate in the city is about to be dramatically increased, which will affect city revenues.

Secretary Jaramillo said that the legislature has already authorized the purchase of land and the construction of the HHS complex, primarily to save the state money and to gain operational efficiencies from locating all administrative services of some departments in one location. The state currently pays more than \$15 million in private lease payments in Santa Fe. The HHS complex will redirect \$5 million of those lease payments toward a building the state owns. Some Human Services Department (HSD) leases have already paid for those buildings two to three times more than their original value.

Speaker Lujan said that consolidation of the HSD will save the state money and will be better for HSD customers.

2010 Legislative Initiatives, Capital Outlay and Interim Report

Ms. Knight reported to the commission the actions taken by the legislature concerning commission-related legislation.

Commission Legislation:

1. Five-Year Facilities Master Plans. The proposal would require most state agencies to submit a five-year facilities master plan in the form prescribed by the PCD and consistent with the CBPC master plans and planning principles. Plans would be updated annually and used by the Department of Finance and Administration (DFA) and the GSD in preparation of a five-year state capital projects program. **The proposal did not receive an executive message.**

GSD Legislation:

2. Agency Preventive Maintenance Plans. The proposal would require agencies under the jurisdiction of the PCD to develop and implement preventive maintenance plans for any new proposed capital outlay project and would charge the PCD with developing guidelines to assist agencies in developing their plans. It would require the PCD to develop a uniform web-based facility information management system that would provide a central database of maintenance activities, provide comprehensive maintenance request and expenditure information and facilitate the training of maintenance personnel. **The proposal did not receive an executive message.**
3. Exempt the PCD from the \$10 Million Threshold for the Design-Build Project Delivery Method. The proposal would remove from statute the minimum threshold amount required in order for state agency projects to be able to use the design-build project delivery method.

The proposal would not change the law with regard to local public bodies. **The proposal did not receive an executive message.**

4. Exchange State-Owned Land for Private Land for the Santa Teresa Port of Entry. The proposed resolution would authorize the trade of state land for private land to be used for the Santa Teresa port of entry. After the design of the facility was completed, it was determined that an additional 3.8 acres would be needed for drainage purposes. **The proposal was approved in SJR 9 (2010 regular session).**
5. Eliminate SBF Approval for Construction Contracts. The proposal would remove the requirement that the SBF approve all construction contracts into which the PCD enters for the redesigning, major renovation and remodeling of current state buildings and the erection of additional state buildings when needed. The current requirement was enacted prior to the Procurement Code and is no longer necessary, as reported by the PCD. **The proposal did not receive an executive message.**

Capital Outlay Within Master-Planned Areas

The CBPC endorsed certain capital outlay requests presented to the commission for its consideration as to consistency with the master plans under the purview of the commission and consistency with the general development principles of master planning for New Mexico state government.

6. Expansion of Purpose for Two Appropriations from 2007 and 2009. The proposal expands the purpose of appropriations to purchase adjacent land at the west capitol campus from the federal government to include the purchase of certain parcels of land adjacent to the campus on the College of Santa Fe property. The PCD is pursuing options to trade state land for the federal land at the campus, which would free up appropriations for purchasing land at the college. The state proposes to purchase Tracts A, B, C and D, located contiguous to each other on the southeastern portion of the campus, close to the state printing facility. **The request was approved in Laws 2010, 2nd Special Session, Chapter 4, Section 35.**
7. Statewide Repairs and Maintenance of Cultural Assets. One million dollars was requested for repairs and maintenance of cultural assets throughout New Mexico. **Funding of \$1,100,000 was appropriated in Laws 2010, 2nd Special Session, Chapter 4, Section 5.**

PCD Update

Mr. Taylor provided the commission with an update of the PCD's activities.

Planning Activities

- South Capitol Campus Master Plan: The planning process for the redevelopment of the campus is underway.
- Executive Office Building: Programming phase will be done by August.

- Lujan Building Renovation: In programming and schematics and looking at phasing the project, commencing in the fall of 2010.
- Runnels Building Renovation: This is a two-year project, which is still in the design phase.
- Cambiar New Mexico Master Plan: The PCD and the Children, Youth and Families Department (CYFD) are meeting to develop an implementation plan for the Cambiar (Missouri Model) program.

Capital Projects

- Roswell Rehabilitation Center: The project is 50 percent completed, with a fall 2010 completion date scheduled.
- Los Lunas Substance Abuse Treatment Facility: The project is about 25 percent complete, with a spring 2011 completion date scheduled.
- New Meadows Hospital, Las Vegas, NM: The RFP for the project will be let on April 22.
- Department of Public Safety District Offices: Land acquisition for the Las Cruces project is proceeding with the federal Bureau of Land Management. The Las Vegas district office project is still working on utility connection issues with the City of Las Vegas.
- Workforce Solutions Department (WSD) Offices: The WSD has received \$2.5 million in federal stimulus funding, and the PCD has been working with the department to identify repair projects.
- Santa Fe Motor Vehicle Division Office: The new building is scheduled to be completed in spring 2011.
- Corrections Department Energy Retrofitting: The PCD is spending \$12 million in federal stimulus funding to make energy-efficient upgrades at the Southern New Mexico Correctional Facility and the Central New Mexico Correctional Facility.

Property Dispositions

- College of Santa Fe Property Acquisition: The PCD is currently working with the city of Santa Fe to perform an environmental study of the property.
- Halpin Building Property Transfer: The CAD had indicated that it still has a use for the building, located in the Santa Fe Railyard. An agreement has been reached with the city to demolish a portion of the building that has been condemned and for the city to use some of the vacant land for a Rail Runner welcome center. (See below for

more details.)

- Border Authority Santa Teresa Property Transfer: The Border Authority now has title to the property.
- Santa Teresa Port of Entry Property Trade: The PCD is awaiting survey results before proceeding with the trade.
- Taos Detoxification Building Transfer: Mr. Taylor said that although the property has already been transferred to the Town of Taos, the PCD neglected to have the transfer reviewed by the CBPC, as required by the enacting legislation (SJR 12, 2008). No action was taken on the transfer.
- Las Cruces Camunez Building: The building has been vacated by the CYFD.
- Camp Sierra Blanca: The property has been vacated by the CYFD.
- Los Lunas Grasslands Campus: The property has been leased for five years to Wagner Farms, which will establish vegetation on the property. The PCD is working to get the wells on the property operational.
- Taos Mary Medina Building: The building has been vacated.
- Las Vegas Epi Duran Building: The building has been vacated.

Property Leases

- Some state agencies have requested the termination of private leases due to the agencies' lack of funding.

Staffing

- The PCD has three vacancies currently but has been allowed by the DFA to fill one of those vacancies.

Speaker Lujan suggested that the cost of the lease of the grasslands property was too generous to Wagner Farms because the lessee will pay \$5,700 per year, but the wells will cost \$30,000 to repair. Senator Ingle responded that nobody would lease an agricultural property without a functioning water source and that Wagner Farms will probably spend \$250,000 just to get an alfalfa crop established.

Ms. Tackett asked if the CAD will keep the Halpin Building. Secretary Ashman said that the CAD has a use for the building for at least the next five years. The agreement with the city will include a trade of 15 parking spaces in the city's parking garage for land currently used by

the state for parking. Also, when the archaeology center at Caja del Rio is completed, space will become available for the Economic Development Department, saving the state \$9,000 per month in existing lease expenses.

There being no further business, the commission meeting adjourned at 4:45 p.m.

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