

**UNAPPROVED MINUTES
of the
SIXTH MEETING FOR 2008
of the
CAPITOL BUILDINGS PLANNING COMMISSION**

**Thursday, November 13, 2008
Room 317, State Capitol
Santa Fe**

The sixth meeting of the Capitol Buildings Planning Commission (CBPC) for 2008 was called to order by Speaker of the House Ben Lujan, co-chair, on Thursday, November 13, 2008, at 10:20 a.m. in Room 317 of the State Capitol in Santa Fe.

Present

Arturo Jaramillo, Secretary of General Services, Co-Chair
Rep. Ben Lujan, Speaker of the House, Co-Chair
Sen. Timothy Z. Jennings, Senate President Pro Tempore
Rep. Thomas C. Taylor, House Minority Floor Leader
Gary Giron, designee for Rhonda Faught, Secretary of Transportation
Emilio Martinez, designee for Stuart Ashman, Secretary of Cultural Affairs
Rick Martinez, designee for Katherine B. Miller, Secretary of Finance and Administration
Joyce Pankey, designee for Patrick H. Lyons, Commissioner of Public Lands
Patrick Simpson, designee for Arthur W. Pepin, Director, Administrative Office
of the Courts
Clarence Smith, designee for James B. Lewis, State Treasurer

Absent

Sen. Stuart Ingle, Senate Minority Floor Leader

Staff

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

Guests

The guest list is in the meeting file.

Handouts

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

Thursday, November 13

Adoption of Minutes

The minutes of the September 30, 2008 meeting of the CBPC were adopted, without changes.

Adoption of Open Meetings Resolution

Ms. Tackett reviewed for the commission the proposed open meetings resolution, which describes the conditions and notice required for meeting in regular, special or emergency session, as well as specifying under what conditions the commission may meet in closed session. The commission adopted the open meetings resolution unanimously.

Preliminary Inventory of Statewide-Owned and -Leased Facilities (See Revised Handout in the Meeting File)

John Petronis and Andy Aguilar of Architectural Research Associates, Inc. (ARC), presented to the commission the preliminary data for statewide facilities. The presenters underscored several weaknesses in the data currently available.

The state owns nearly 35 million square feet of buildings, of which nearly 22 million square feet are managed by universities and colleges. The state leases 3.7 million leaseable square feet of facilities, more than half of which are located in Albuquerque and Santa Fe. The total lease costs exceed an initial lease amount of \$52.7 million.

For the state-owned inventory, ARC used as its primary source for data the database of insured facilities maintained by the Risk Management Division (RMD) of the GSD. The PCD's data were used to supplement information about leased facilities; however, there are many leased facilities not under the jurisdiction of the PCD, so the information is not a complete statewide listing. The PCD is implementing a new asset management software system that will allow better tracking of asset information, said Mr. Petronis.

Mr. Petronis identified several barriers to a complete statewide asset inventory, including different methods of identifying buildings, different definitions of what constitutes a building, different information on building occupants, some apparent gaps in leased facility data and no comprehensive database on state-owned property. Some state agencies have leases outside the control of the PCD. Also, there are several state agencies in addition to the PCD that track property under their jurisdiction, including the Cultural Affairs Department, the State Land Office and the Department of Transportation (DOT). It is difficult to inventory state assets without a consistent methodology across all state agencies. Mr. Petronis suggested the development of a consistent and comprehensive database of state-owned and -leased facilities that would include common asset identifiers, such as building ID or lease ID numbers. Additionally, for master planning purposes, the database should include information from the State Personnel Office and individual agencies to document personnel at each location.

Speaker Lujan asked if the PCD and the RMD compile information jointly. Mr. Taylor said that the RMD insures state-owned property, but does not insure leased facilities. Leased

properties are insured by the property owner. Mr. Taylor said that collaboration between the two divisions will become even better when the new asset management system is in place. Another source of data discrepancy occurs because the PCD keeps track of state-owned buildings, but does not always have information on outbuildings located at various sites. The RMD, as an insurance provider, keeps track of all structures on state property, including outbuildings.

Representative Taylor asked if the GSD pays for the leases of facilities housing state agencies. Mr. Taylor said that each agency has lease costs built into its operating budget. Representative Taylor inquired if federal funds at the DOT are used for building leases. Mr. Taylor stated that the PCD tries to control leases, RFP requirements and certain other costs, but DOT is not under the PCD's jurisdiction. Speaker Lujan noted that the state treasurer, the state auditor and the DOT have funding for their leases.

Las Cruces Area Master Plan

Mr. Aguilar reviewed the progress made on the Las Cruces Area Master Plan. Las Cruces shares similar issues with Albuquerque—a large amount of leased space and a limited number of state-owned facilities. Currently, the state leases 236,000 leaseable square feet of office space at an annual cost of \$3.3 million. The state owns approximately 450,000 square feet of building space, nearly all of which accommodate correctional and public safety agencies.

In 2006, the PCD commissioned a study of office space in Las Cruces. The study recommended that a new state office building be constructed in order to facilitate one-stop services, eliminate high lease costs and replace facilities in poor condition. The study envisioned a 192,000-square-foot building in downtown Las Cruces near the city's existing downtown mall. The project was not funded, and more programming needs to be done to determine current and future needs. Additionally, lease costs have increased 74 percent since 2006, from \$1.9 million to \$3.3 million, while there has been only a 34 percent increase in leased space, from 176,000 leaseable square feet to 236,000 leaseable square feet. Although the 2006 study needs to be updated and validated, the project is still an important one for the Las Cruces area, and it could be financially beneficial to the state.

Secretary Jaramillo asked about the feasibility and cost of the downtown Las Cruces property. Mr. Petronis said there may be more options available to the state since the 2006 study, including the use of other state land for a construction site or for trading. Mr. Taylor said that the total cost for the project in 2006 was estimated at \$57 million.

Secretary Jaramillo asked if there are any vacant properties near downtown Las Cruces, particularly some county-owned property that would be cheaper to acquire. Mr. Petronis responded that there are some, but that they do not comply with the master planning criteria. Secretary Jaramillo said that some additional planning money may be warranted to get current information about the feasibility of the project. He directed the master planners to investigate the possibility of developing the project near the existing downtown mall, perhaps on county-owned land. He directed the master planners to contact Dona Ana County officials to determine whether a parcel is available.

Mr. Taylor commented that the owner of an office building within the proposed development area has informed the state that the building is for sale. Given the current economic situation, the state may be able to purchase it cheaply; however, the building mentioned would require major renovation to make it suitable for state use.

Speaker Lujan asked which state agencies could be relocated to occupy a new facility. Mr. Petronis responded that nearly all state agencies currently located in leased space could relocate, including the Children, Youth and Families Department (CYFD), the Taxation and Revenue Department, the Office of the State Engineer, the Human Services Department (HSD) and the Workforce Solutions Department.

Speaker Lujan asked about the large increase in lease costs in the past two years. Mr. Aguilar said that some agencies did increase their space, but that most of the increase is attributed to built-in lease rate increases. Mr. Taylor clarified that although some leases in place prior to the current administration may have built-in lease rate increases, the PCD now allows only for operational and maintenance increases. Speaker Lujan asked staff for more detail on the Las Cruces leases.

Speaker Lujan asked if the \$3.3 million currently paid in leases would be enough to finance the cost of a new facility. Mr. Petronis said that it may be enough, but a better and more current cost analysis needs to be done. He said that some of the assumptions in the 2006 study may no longer be valid; however, the 2006 study had determined that the lease payments would finance a new building over 20 years' time.

Secretary Jaramillo said that the current financial analysis being performed for the Santa Fe Health and Human Services (HHS) complex will provide valuable insight into whether the Las Cruces complex could be possible. Mr. Petronis suggested that the commission endorse a consistent method for performing such analyses.

Speaker Lujan directed staff to determine the additional funding needed for the commission and master planners to proceed with a feasibility study for Las Cruces, to talk with developers and to see if there are other options and sites available.

Albuquerque/Los Lunas Area Master Plan

Equestrian Facility

Mr. Petronis presented an update on the development of the Albuquerque/Los Lunas Area Master Plan. He gave the commission details of the proposed location and status of the state equestrian facility, which had been discussed in the October commission meeting. The New Mexico Rodeo Council was created by the governor in 2005, and an Equestrian Task Force was established to guide the development of equestrian projects. The project is a joint one between the state and Bernalillo County, with a proposed location at the Bernalillo County Regional Park at Mesa del Sol, northeast of the Journal Pavilion. The land for the site is owned by the State Land Office and is currently leased to Bernalillo County.

The proposed facility consists of a 6,500 seat indoor arena for equine and rodeo events and a 1,000-seat outdoor arena with covered seating. Additionally, the plan calls for four exterior practice rings, a 400-stall barn, paved parking for 1,000 cars, overflow parking for 1,600 cars and a future Grand Prix area. The total projected cost for the facility is \$76 million, of which only \$24 million has been appropriated by the legislature. The PCD has done schematic planning and design for the project, but it is currently on hold. With the departure of the Downs at Albuquerque from the Expo New Mexico property, the possibility of locating the equestrian facility at the state fairgrounds is being investigated.

Mr. Petronis said the challenges that the project still faces include coming up with \$52 million to complete the project, identifying and budgeting the facility's long-term operating costs and finding an entity to manage the facility.

Los Lunas Hospital Site

Mr. Aguilar reviewed the master plan for the Los Lunas hospital site, which generally calls for:

- the utilization of street frontage and commercial zoning on the southern portion of the property to locate state administrative and field office functions;
- the creation of an open-space corridor that connects to existing residential and recreational areas;
- the preservation and reuse of some buildings, and the demolition of most of the deteriorating buildings;
- the continuation of the long-term leases to Los Lunas and Valencia counties along the east side of the property; and
- the lease of the interior northwest portion of the property to a local government entity or developer for housing uses.

The master planners presented the commission with a recommended schedule for demolition of buildings on the property. The total cost to demolish the buildings is expected to be \$2.1 million and an additional \$550,000 is needed for asbestos removal in three of the first buildings recommended for demolition. The demolition could be phased in over several years, first removing the buildings in the worst condition.

Speaker Lujan asked whether the state has water rights attached to the property. Mr. Petronis said that the property does have water rights. He said the Village of Los Lunas is currently providing water and sewer service to the property.

Department of Finance and Administration (DFA) Deputy Secretary Martinez asked if the state had considered selling a portion of the property, especially in light of the high demolition costs involved. Mr. Taylor said that the current master plan for the area does not contemplate selling the property. The legislature would need to authorize the sale of the property.

Deputy Secretary Martinez suggested that the PCD and master planners investigate the possibility of a public-private partnership to develop the property. Speaker Lujan also suggested looking into an economic development project that could be located on the property. Ms. Tackett said that the current plan calls for leasing part of the property to developers for a housing project. If the commission wants the master planners to pursue a different type of economic development project, the commission would need to so direct the master planners, she noted.

Speaker Lujan directed staff to investigate the quantity of water rights attached to the property. He said that it is very important for the state to retain its water rights. Mr. Taylor said that the GSD is proposing a bill in the upcoming legislative session that would protect state agencies' water rights during periods of non-use.

Senator Jennings cautioned against the state overbuilding, which could be detrimental to private developers who lease space to state agencies. He also suggested that it would not be fair to grant state agencies special rights regarding water when the rest of New Mexico residents who hold water rights must put that water to beneficial use or face the prospect of losing those rights. Ms. Tackett said that current law allows the DOT to maintain its water rights and that it might be a good idea to extend that right to other state agencies.

Speaker Lujan said that any proposal for the site will include extensive discussion with the community and local governments.

Ms. Tackett indicated that staff could consult with the Economic Development Department to identify any potential partnerships. She suggested that the commission can decide at its December meeting whether to modify the direction of the current master plan for the Los Lunas hospital site.

State Property Updates and Project Status

Mr. Taylor reviewed for the commission the status of several projects that the PCD is working on. The projects include the following.

- HHS Complex. The financial feasibility study is underway and is expected to be complete in December. Based on the report's conclusions, the next steps will be to get legislative ratification for a lease-purchase, issue a solicitation for a design-build or lease-purchase process and begin the project design and construction.

- DOT Development. The GSD, the DOT and the DFA have been collaborating on a draft request for proposals (RFP) to select a consultant team to perform a feasibility study and bridging documents for the DOT development. The RFP may be released the first week of December. After the study, and depending upon its recommendations, the development could proceed to the next stages.

- Substance Abuse Facility in Los Lunas. The facility will provide public services for the HSD program in Valencia County. The PCD has been working with the HSD to issue an

RFP for a lease-purchase contract for the facility. The lease-purchase option will need to be ratified by the legislature.

- Capitol Parking Structure. The construction of the parking garage is proceeding, with concrete footings currently being poured. The project is scheduled to be complete in May 2009. Government employees are being urged to use the legislative shuttle.

- Corrections Department (CD) Wastewater Treatment Facility at the State Penitentiary in Santa Fe. The GSD and the CD have met to discuss the status of the facility. Both departments agree that the state does not have the expertise to operate a wastewater facility. The PCD completed a professional assessment of the facility and found considerable deficiencies that will require significant money to bring the facility up to standard. Both departments are continuing to evaluate the operational and maintenance costs of the facility, its appraisal value and the potential short-term and long-term investments needed. Possible actions to take include a longer term lease to Santa Fe County or the private sector or returning the operation of the facility to the CD. Questions remain about Santa Fe County's responsibility for making maintenance upgrades identified in the study.

Representative Taylor asked about the size and current lease status of the CD wastewater facility at the penitentiary. Mr. Taylor said that, currently, the wastewater system is leased to Santa Fe County on a five-year lease. The only wastewater system the CD is currently operating is at the Roswell correctional facility, which is located far from any local government facilities. Representative Taylor said it is usually better to have private entities operate utility systems because private entities tend to be more efficient than government.

Mr. Taylor said that the wastewater system at the penitentiary is currently serving the prison, the county correctional facility and the National Guard. If the county wants to extend service to residential areas, it will have to increase its capacity. The current lease with the county requires that the county maintain the system. He said that the CD does not pay for the use of the facility but that the National Guard does. Any lease entered into will guarantee the state use of the system if it decides to develop the prison property.

Speaker Lujan said he is worried that granting the county a long-term lease will essentially force the state to provide wastewater service to residents in perpetuity, since it would be unlikely for the state ever to cut off service to homes. Mr. Taylor said that the county will construct its own wastewater treatment facility if it cannot reach an agreement with the state. He agreed with Speaker Lujan and said that any lease will need to protect the state.

Ms. Tackett asked that Santa Fe County provide the commission with information on the cost, return-flow credits and future size of the facility, along with any other information the commission could use to review the project.

Mr. Taylor said he would come before the commission with more information and do an evaluation. In response to a question, Mr. Taylor noted that he can enter into a lease with the county for up to 25 years without legislative approval.

The commission recessed for lunch at 12:10 p.m.

Santa Fe Metropolitan Area Master Plan

Mr. Petronis briefly reviewed the status of the Santa Fe Metropolitan Area Master Plan. When the HHS feasibility study is complete, many pieces of the state agency location puzzle for Santa Fe will start falling into place. He said that the commission and legislature need to start making decisions soon to ensure an orderly transition to better and more economical state facilities.

Senator Jennings stressed the importance of having a strategy to construct state-owned facilities. He asked when the RFP for the HHS facility would be released. Mr. Petronis said the HHS feasibility study should be completed in December and that the next step would be to issue an RFP for the construction of the facility. Ms. Tackett said the commission can decide whether to recommend to the legislature that the HHS facility be constructed using a lease-purchase arrangement.

Senator Jennings asked whether the DOT is considering using a public-public partnership to develop its Santa Fe headquarters, rather than collaborating with a private developer. Ms. Blackshear said that she has been working with the project oversight committee to craft proposals. She said that the consultant hired to study the feasibility of the project will also consider public-public partnerships.

Senator Jennings suggested that the DOT headquarters be located further south, closer to a major highway. He said that there is plenty of state land near State Highway 599. He also suggested locating the HHS facility near a Rail Runner train station.

Senator Jennings expressed concern that the state is not getting as high quality construction as in the past, since the state has a mixed system of requiring prevailing wages to be paid on public works contracts. The state can let a private developer construct a state building, and the developer can cut corners by not hiring union labor. That often results in lower quality work, he said.

Speaker Lujan inquired whether lease-purchase arrangements mandate the use of prevailing wages. Ms. Tackett said that such a requirement could be put into the law, but it is currently not mandated. Design-build projects, however, do require prevailing wages.

Senator Jennings said that the 40 acres at the Las Soleras property proposed for constructing the HHS complex would probably also have enough space for the DOT headquarters. He suggested studying the state penitentiary property for that purpose.

Secretary Jaramillo said that the HHS complex is currently the GSD's top priority. If lease revenue can be converted into a capital project, the state and its residents will benefit.

Speaker Lujan asked if the RFP for the development of the DOT property will ensure transparency in the planning process. Secretary Jaramillo said that it will.

Senator Jennings expressed concern that the development of the new RFP excluded any input from the Legislative Finance Committee or other interim legislative committees. He does not want to be faced with the legislature only being able to approve or reject a proposal. Rather, legislative staff should be involved in developing the plan. Secretary Jaramillo commented that there are no preconceived notions on how the project should be implemented, except that it should be self-funding.

Discussion of Legislation and Member Requests for Drafts

Ms. Tackett and Ms. Knight presented a list of possible legislation for the commission to consider. The commission directed staff to develop the legislation for consideration at its next meeting. The list of legislation includes the following.

- Funding for Demolition of Los Lunas Hospital Campus Buildings and Asbestos Removal. Speaker Lujan recommended that the commission request the entire amount needed for the project rather than request the funding in phases.
- City Zoning Legislation. This would clarify the need for a collaborative process between the state and municipalities regarding historical district zoning. The legislation would not give municipalities authority to approve state projects, but would require both parties to collaborate on projects.
- Potential Commission Support for Statewide Capital Projects that Comply with the Commission's Master Plans.
- Requesting Funds for Planning the CYFD Move of the Youth Diagnostic Development Center to Los Lunas.
- Extension of Time to Spend Appropriations Authorized to Purchase Land in the West Capitol Campus. Secretary Jaramillo said that this would allow a contiguous campus from Cerrillos Road to Siringo Road. The United States Forest Service has a hotshot facility on the property, and the General Services Administration (GSA) has a motor pool facility. Some land is also owned by the Santa Fe Public School District. The GSA has indicated to the GSD that it wishes to sell the property at fair market value, which would require the state to appropriate more money for the purchase. Secretary Jaramillo said that United States Senator Jeff Bingaman supports the GSD's purchase of the property at less than the fair market value. Staff was directed to review the current appraisal of the property.

- Possibly Extend the Time for Expenditure of the Master Planning Appropriation and Determine if Additional Duties Will Require More Funding.

- Additional Funding for Main Capitol Campus Planning and Construction.

- Dedicated Revenue Stream for the Repair of State Buildings Outside of Santa Fe.

Speaker Lujan said that the yearly appropriation request for the Public Buildings Repair Fund ends up competing with other capital projects for funding. State buildings in Santa Fe are maintained using the Capitol Buildings Repair Fund, which has a land grant permanent fund source.

- Mandate CBPC Review of State Agency Lease-Purchase Agreements Before Submission to the Legislature.

- Institute a Capital Projects Review Process for State Projects Within a Master Planning Area. Speaker Lujan suggested that state agencies present their capital requests to the commission.

- Allow State Agencies to Keep Water Rights During Periods of Non-use.

Staff was also directed to prepare legislation for the commission's review if any additional needs are discovered.

Senator Jennings said that more public parking needs to be available during legislative sessions. Representative Taylor suggested that some state employees could park at a location away from the Capitol and then be shuttled to the Capitol Campus. Secretary Jaramillo said that the GSD is already negotiating with St. John's United Methodist Church, located about 1.5 miles from the Capitol, for use of its parking lot during weekdays. Deputy Secretary Martinez suggested using Museum Hill parking for that same purpose.

There being no further business, the commission adjourned at 2:49 p.m.