# Appendix A: Recently Asked Questions about Thurston County Leasing February 1, 2000

## PREFERRED DEVELOPMENT AND PREFERRED LEASES AREAS

### 1. What is the difference between Preferred Development Areas and Preferred Leasing Areas?

The 1991 Capitol Master Plan does not make reference to Preferred Leasing Areas. When it was approved by the State Capitol Committee (SCC) in 1991, it was envisioned that most future state office development would be owned and that these owned office buildings should be located in the *Preferred Development Areas (PDA).* In fact, since 1991 no new state-owned offices have been authorized. State office needs have increased as anticipated by the 1991 Plan, however. The state's need for new space has been met by private development of leased facilities. All of the new leased buildings in Lacey have been within the 1991 Lacey PDA, but none of the new leased office space in Olympia or Tumwater has been within those cities' PDAs.

This scattered development caused Thurston County, the 3 cities, Intercity Transit and the Port of Olympia to ask the State to review its policies about locating state offices. Working together, the idea of *Preferred Leasing Areas (PLA)* was developed and it was agreed that the SCC be requested to add *PLA*s as an amendment to the 1991 Capitol Master Plan.

### 2. Has the state formally established *Preferred Leasing Areas (PLA)?*

Not yet. *Preferred Leasing Areas (PLAs*) are areas where state leasing is preferred by local government. The areas were proposed by the cities of Olympia, Lacey, and Tumwater in spring 1999. These areas and an implementing policy statement were initially presented to the State Capitol Committee (SCC) for review in June of 1999 and discussed again in January 2000. GA has also developed leasing procedures to implement this proposed policy. Specific Preferred Leasing Areas and policy will be an agenda item for approval by the SCC at their April or June 2000 meetings.

### 3. Have the 1991 Capitol Master Plan *Preferred Development Areas (PDA)* been changed?

*Preferred Development Areas (PDAs) are* areas where state ownership is preferred by local government. The State Capitol Committee has not officially changed the PDAs, but GA will ask the SCC to amend these areas at its April meeting because of the following city-requested changes:

The Tumwater area – referred to in Tumwater's new comprehensive plan as the Tumwater Town Center – is slightly changed from the 1991 State Capitol Master Plan with the elimination of high school and church property north of Israel Road.

The Olympia area – referred to in Olympia's comprehensive plan as Downtown is expanded slightly to include portions of the Port of Olympia property in North Olympia recently identified in the Port's Comprehensive Plan as consistent for commercial office development.

The Lacey area is substantially smaller than in the 1991 State Capitol Master Plan that included Lacey's entire Central Business District. Lacey's proposed PDA is limited to current state-owned property at Saint Martin's College adjacent to Ecology headquarters. This reflects Lacey's interest in maintaining a strong retail base within their Central Business District.

**4. For the Olympia PDA, is it being expanded to include the Port of Olympia property?**

Yes, but only those Port areas contiguous to downtown Olympia.

**5. What is so important about directing state office development to these areas?**

The 1991 Capitol Master Plan calls for future state development to support the comprehensive plans of Thurston County and its municipalities. These plans include concentrating employees to achieve urban densities which can more easily be supported by community services, controlling impacts on public infrastructure, and encouraging alternatives to single occupancy vehicles such as public transit.

**6. When will PDAs be changed and PLAs formally established?**

The State Capitol Committee will have this issue on their April and June 2000 agendas. Subsequent changes may be initiated by local jurisdictions if they change their comprehensive plans.

**7. If we are currently leasing outside a PLA, will the state move out when the lease expires?**

GA's proposed *Preferred Leasing Policy* does not require agencies located outside *Preferred Leasing Areas* to move when leases expire. The policy will only apply when agencies initiate a move through the normal course of business. Once an agency vacates a building outside the Preferred Leasing Area, the Preferred Leasing Policy will apply for all subsequent leases.

**8. What are the cities willing to do for the state in exchange for the state designating the PLAs?**

Cities say they will expedite review and approval of proposed projects, assist in the development of commute trip reduction and parking efficiency plans, help to minimize impact fees and other costs affected by city requirements, and consider development partnerships.

## MASTER PLAN LEASING POLICY

**9. Why wasn't the Leasing Policy described in the 1991 Master Plan ever completed?**

There was no significant commercial development in Thurston County from 1991 to 1997, making the writing of a leasing policy a low priority. During the same time, GA's long range planning funding was eliminated and repeated budget requests for increased Leasing Program funding to keep up with expanding statewide work loads were not supported. In 1998, when commercial development activity picked up again, Intercity Transit and the local jurisdictions contacted GA and requested that a leasing policy be developed pursuant to the *Master Plan*. GA has been jointly developing such a policy since then. The policy with an implementation strategy will be finalized in December 2000.

**10. How many buildings and how much space is state government leasing in Thurston County?**

The state is leasing approximately 3,000,000 square feet of office and warehouse space from the private sector in Thurston County.

| | # Leases | Square Footage |
|---|---|---|
| Lacey | 41 | 679,137 |
| Olympia | 113 | 1,774,933 |
| Tumwater | 33 | 544,221 |
| Total | 187 | 2,998,291 |

## DEPARTMENT OF HEALTH PROPOSAL

**11. What is the status of the proposed Department of Health (DOH) building?**

DOH has completed a consolidation study and the proposed DOH building is in the Governor's supplemental budget. The DOH and GA are preparing a project management plan that would begin in April 2000 if the Legislature authorizes the project.

**12. Are the DOH-leased buildings in Tumwater scheduled for demolition?**

The owner of seven of the buildings in Tumwater, which contain approximately 64,000 square feet, has indicated in the past that the buildings would be demolished upon lease expiration in September of 2003. The owner recently clarified that he would not require DOH to move out so that he could demolish the buildings.

**13. Why can't the DOH proposal wait until next year?**

Two of DOH's major leases (for seven buildings) expire in 2003.In order to meet a construction deadline of 2003 for new construction, the project will have to be authorized by the 2000 Legislature. Most landlords are generally unwilling to negotiate leases with less than five year terms. DOH has indicated that they will move out of the Tumwater offices in 2003 into other leased space if the lease development proposal is not approved. This means that DOH would not be able to coordinate consolidation of its many different locations until 2009.

**Why can't DOH simply stay in its current leased space and upgrade that space?**

DOH is housed in 21 different buildings in 4 locations. Fourteen of these buildings, ranging from 6,000 square feet to 12,000 square feet, are modular buildings that were moved to their present locations approximately 30 years ago. This was supposed to be a temporary basis. Upgrading these buildings would take a substantial investment and would not be cost effective.

**15. When were the DOH buildings in Tumwater last remodeled?**

These buildings were moderately upgraded in the mid-80's and again as part of a lease renewal in 1992. The upgrades consisted of ADA improvements and heating, ventilation, air condition and cooling systems (HVAC).

**16. Is the DOH building proposed to be leased or state-owned?**

DOH's consolidation proposal recommends a single developer-built building that would be leased with an option to purchase in 2008 after five years. DOH would return to the 2007 Legislature to request authority to exercise the purchase option.

**17. Why is additional money needed by DOH for office planning?**

The Governor has a two-part request before the Legislature. One part is to authorize GA to procure a lease development building for DOH. The other part requests a $400,000 capital planning appropriation. These funds will be used to hire a consultant to complete functional and spaces programming, develop performance specifications and the Request for Proposal, and assist in site selection. It will also support GA and DOH project management.

**18. Will the legislature be involved again in exercising the state's purchase option on the new DOH building?**

Yes. A lease purchase would require a legislative authorization to enter into a financing contract or for Certificates of Participation financing. That authority would be requested in the Governor's 2007-2009 Capital Budget request. Results of the JLARC Lease versus Ownership model would provide life cycle cost information regarding the request.

**19. Would there be any transportation, transit or parking differences between a Tumwater site and an Olympia site for the DOH building?**

Yes. An Olympia site would require substantially less new parking because of existing parking, more frequent service by public transit, more numerous major and local routes and more opportunities for car pooling because of higher densities of employees. Most transit riders to Downtown have a bus stop within two blocks. The Transportation Agencies Co-Location study concluded that 20% less parking would be required for a Capitol Campus site compared to Tumwater or Lacey. A similar benefit would be expected from a downtown Olympia site located near the Transit Center. A downtown Olympia location also benefits from Olympia's established street grid, multiple Interstate highway accesses and multiple east-west and north-south arterials that reduce intersection congestion.

**20. How much empty space will be left behind once people are relocated to the new DOH office?**

DOH currently occupies 253,695 square feet of space, all of which would be vacated if DOH consolidated into one building. The vacated space will fall into one of the following categories:

1) the space is well suited for use by another state agency or private entity and can be re-leased immediately;
2) the space may be well suited for use by another agency, but the owner must first renovate the building bringing it up to state building standards;
3) the space is no longer suited for state use; and
4) the space will be demolished.

**21. Could a lease development occur on the state-owned property next to L&I in Tumwater?**

Yes, provided it was of high quality and guaranteed to remain under state control.

**22. What is the status of the property reversion to the Port of Olympia for this property?**

Under the terms of the 1993 purchase agreement with the Port of Olympia, the Port has the contractual right to reacquire the site at the same price the state paid in 1993 if the state has not started headquarters office building construction by 2003. The Port would have the right to repay the state at low interest over time.

## JLARC LEASE V. OWNERSHIP MODEL

**23. Why shouldn't the JLARC lease versus own model be the primary decision making tool in deciding how to make leasing and owning decisions?**

Cost should be an important factor but not the only factor. As the JLARC staff reminded everyone again in a January 25, 2000 memo, "the model is a tool for providing decision-makers with information on the relevant, quantifiable economic costs associated with alternatives. It is only a tool, however, and decision-makers must still exercise judgment, especially concerning qualitative factors, in making decisions about capital projects." That same memo recommends sensitivity analysis and cautions that the model outputs are no better than the quality of the inputs.

**24. Why does the state use a 7% discount rate in its net-present-value calculation instead of the 11% rate suggested by developers?**

The developer-proposed 11% rate is recommended in some commercial real estate books. This recommendation is for speculative office space that could be periodically vacant during the life of that building, whereas a state building is seldom even partially vacant for any extended period of time. In fact, GA has conducted a recent project cost analysis that led to a break-even discount rate used by a state lessor in Thurston County. The break-even discount rate used on that specific project was a 6.3 percent - 0.7 percent below the 7% JLARC rate**.**

Factors that enter into the development of a discount rate are as follows:

1) The borrowing rate that for the state is currently approximately 5.75% while the typical lessor borrows at 8.5% – a difference of 2.75%.
2) Inflation that is the same for both developers and the state.
3) Risk of vacancy that is low for the state and higher for speculative development.
4) Other opportunities for investment where developers have a wide range of options for investing their money such as in the stock market. The state has no other investment options.

**25. Is the JLARC model working well in helping decision-makers make leasing or construction decisions?**

Yes, referring to the same 1/25/00 JLARC staff memo. And GA generally agrees except that different interpretations about JLARC model results frequently have led to decision paralysis or situations where projects are being filtered out by economic factors that otherwise are beneficial to the state’s overall business and customer service delivery interests.

## LEASING VERSUS OWNING STATE OFFICES

**26. Why should the state commit its limited bonding capacity to offices rather than prisons or schools?**

For the most part, the state is using reimbursable revenue sources such as agency rents to service Certificates of Participation (COPs) instead of GO-bond funding office construction. Even though COP rates are slightly higher than GO-bonds, they are still substantially less costly than developer financing rates.

**27. Is the state still committed to an 80% ownership — 20% leasing ratio of Thurston County office space?**

No. The policy over the past few years has been to favor smaller privately developed state leased offices, and the state now has more leased office space than owned office space. As the state completes its 10-year Thurston County space plan over the next 11 months, a new ratio will be proposed. Input from the public, private developers and local government will be sought in establishing this figure.

**28. If the state owns its offices, does that mean that state employees will be hired to service and maintain the building?**

Not necessarily. Today’s law, as reaffirmed by the Washington Supreme Court in the Spokane Case, requires that state employees be used whenever they have typically and historically done that work. That law, as it was applied to the new Ecology Building, allowed the service and maintenance work to be contracted out. The Natural Resources Building on the Capitol Campus required that state employees be hired. The Governor’s Civil Service/Collective Bargaining/Contracting Out bill, if enacted, would permit such work to be bid out with state employees eligible to bid on the work.

## THURSTON COUNTY LEASING AND OFFICE DEVELOPMENT

**29. With today's technology and US West's fiber optic connections between buildings, why is consolidation still so important?**

Although technology is a growing and important contributor to agency efficiency and customer service delivery, agencies work best and most efficiently when their employees can walk comfortably between offices, customers can complete their business at one location, scheduled meetings can be eliminated by brief and unscheduled visits, teams can come together spontaneously to solve problems, functions like reception and security can be consolidated, and common spaces such as meeting and lunch rooms can be shared. Even technology can be deployed and supported more efficiently if it's in a single location.

**30. With the nature of the modern office changing because of telecommuting and new technology, why would we want to build additional state offices?**

Telecommuting and new technology are changing the way offices work and we suspect reducing the rate of growth in office space. These practices and technologies will allow the state to reduce the per capita amount of space, but so long as employment grows and office buildings wear out, additional office space will be required.

**31. What is the ratio between new space leased to number of new employee hires? In other words, are the two proportional?**

The historical average gross square feet of office space per position in Thurston County is as follows:

| Year | Gross Square Feet Per Position |
|---|---|
| 1999 | 262 |
| 1998 | 260 |
| 1997 | 256 |
| 1996 | 257 |
| 1995 | 255 |
| 1994 | 268 |
| 1993 | 278 |
| 1992 | 251 |

**32. Why is the Legislature regularly surprised about the budget increases for new state leases?**

Better coordination among state agencies and with OFM, and between the executive and legislative branches is needed. OFM and GA are working on ways to eliminate these surprises.

**33. What has been the recent lease rate renewal increases and impacts in Thurston County?**

Twenty Thurston County office leases totaling almost 336,000 square feet were renewed in 1999. Annual percent rate increases ranged from 2.6% to 8.2% over the expiring lease rate. The square foot weighted annual average increase was 4.35%. Over the typical 5-year renewal term, the average square foot weighted increase was 23.7%. The JLARC model assumes a 2.5% annual increase.

**33. Why can't we lease replacement space in lieu of building an underground Capitol Addition for the displacements that will be caused by the rehabilitation of the Legislative Building?**

We could, but that would require legislative staff or key staff of the statewide elected officials housed in the Legislative Building to be moved off campus. Leased space also would not solve the public needs, estimated at 5,350 square feet. This includes public meeting rooms for visiting school groups, visitor services and visitor-related storage.

# Appendix B: Editorials from *The Olympian*

**From The Olympian, Sunday March 19, 2000 – Page A9**

Our View

## Town center plan a start

Tumwater officials want to reunite their community by creating a town center—a pedestrian-friendly gathering place that will give Tumwater a better sense of identity.

It's a terrific concept, but the plan needs a whole lot of modification and community direction before we can embrace it.

Council members Karen Valenzuela and Pete Kmet detailed their vision in a meeting with The Olympian's editorial board last week.

Valenzuela notes that the construction of Interstate 5 in the late 1950s divided the Tumwater community. With a major thoroughfare down the heart of the city, townspeople have had a difficult time seeing themselves as a cohesive community.

Tumwater officials want to change that.

They have identified a multi-acre site bordered on the north by Israel Road, on the south by Airdustrial Way, on the east by Capitol Boulevard and the west by Interstate 5.

They envision four different zoning designations within the district.

City Hall, the new fire station, the library would be in an area zoned "civic." There is room to expand the Tumwater Police Department into its own building, freeing up space in City Hall.

To the west of the "civic" parcel would be an area zoned residential. That section, across Israel Road from Tumwater High School, is largely in residential use today.

The "professional office" zoning would encompass that area adjacent to I-5 where the Department of Labor and Industries headquarters office is located.

The rest of the town center area—the United Parcel Service office and the old modular offices along Airdustrial Way housing state offices—would be zoned mixed use.

That's a broad designation that can include everything from single family homes to office buildings and expanded light industrial development.

Kmet said he envisions no big box retail outlets, but a series of restaurants, office buildings and residences, with wide sidewalks, multi-story buildings and on-street landscaping drawing nearby office workers

City Administrator Doug Baker said he foresees small, short city blocks and a tight grid pattern of streets.

Valenzuela said she would like to see retail outlets on the ground floor with office space and other uses on upper floors.

The city's planning staff is doing an economic study to see if the vision for the town center is realistic.

Absent from our discussion was any mention of park space or community attractions like a swimming pool or recreation center.

The next step is the creation of a public advisory committee.

We would like to see dozens of Tumwater residents involved in this process.

What we heard—even in this preliminary stage— sounded more like a strip mall than our vision of a town center.

What's important is that Tumwater residents be heard and their collective vision incorporated into the next planning phase.

Call City Hall and volunteer your services. The number is 754-4120.

**OUR VIEWS**

# Avoid state office sprawl

The State Capitol Committee told Lacey and Tumwater the other day that vacant offices in their communities are not the place to house state agencies.

The old Olympia Brewing Co. brew house in Tumwater, the vacant Sunset Life Insurance building in Tumwater and Lacey Corporate Center were nixed as viable sites for state offices.

The buildings are too isolated, said the four statewide elected officials who serve on the committee.

The signal from the committee is thumbs down to state office space sprawl and thumbs up to consolidation of state offices.

Trying to bring order to an oftentimes chaotic approach to housing state workers is in the best interests of South Sound communities, taxpayers and state employees.

It makes a lot of sense to develop and stick to a plan that identifies preferred sites for developing state office buildings in each of the communities, regardless of whether the space is owned by the state or privately owned.

The state owns some 3.5 million square feet of office space in Thurston County, most of it at the Capitol Campus and satellite campuses in Lacey and Tumwater.

At the same time, the state leases from private developers about 2.8 million square feet of space in Thurston County through 272 leases at a cost of about $34 million a year.

A debate has simmered — and occasionally boiled over — for years over the pros and cons of state-owned buildings vs. leased office space.

There's no simple formula, no simple answer. Much depends on the length of the lease, type of office space and location.

It's a waste of time to fight about an all-or-nothing approach. The state never will have enough money — or political support — to place all state workers in South Sound in state-owned buildings.

> "STAY THE COURSE ON EFFORTS TO RESTORE ORDER TO THE EXPANSION OF NEW STATE OFFICE SPACE."

But that doesn't mean there shouldn't be some established policies and guidelines for what constitutes an appropriate lease and lease site.

Currently there is no state policy on the quality of the space, its location and compatibility with local growth management goals or financial assurances for developers who lease to the state.

The state Department of General Administration needs such a policy to guide its leasing efforts.

General Administration also is studying the 10-year need for state office space in Thurston County. The results should help state and local officials make better land-use and financial decisions in the years ahead.

This is no trivial matter.

Ten years ago, the state spent $571,000 to create satellite state campus master plans for Lacey and Tumwater.

But nobody followed through with the plans, political interest in state-owned buildings waned, and developers went eisewhere with their projects.

The net result: Tumwater's vision of a new downtown core area supported by the state satellite campus has eroded away.

Despite this setback, it's not too late to return to the vision of centralized state offices.

If state and local officials work together, they can say no to office sprawl.

No matter what the state does, some developers will fare better than others.

But a consistent leasing policy in conjunction with enforced state master plans would serve our communities well.

# Appendix C: General Administration's Use of Certificates of Participation

## GENERAL GOVERNMENT REALITIES

1. **GO-bond financed office and warehouse projects can almost never be accommodated within the statutory debt limits**. GO bonds have been used, for the most part, for K-12 schools, higher education, hospitals, community and natural resources grants, and correctional facilities**.**

2. **State financing contracts reduce current equipment or facility operating expenses immediately or over the next 4-10 years**.

3. **COP financing creates more spending certainty and acts as an inflation hedge**.

4. **Assets are very appropriate "collateral" for borrowing in lieu of the state's full faith and credit.**

## GA'S CRITERIA FOR COP PROJECTS

1. **Need is documented.** There is a current and future need for the facility for at least the term of the contract.

   The state has been in 5 out of every 6 leases more than 5 years. And we seldom move.

2. **Available funds are certified.** No additional funding is required beyond the tenant agency's current operating budget.

   No GA tenant has requested extra funds to meet COP obligations.

3. **Optional uses exist.** Viable options exist for meeting the COP obligation either from other state agencies or the private sector if the benefiting agency no longer needs the facility.

4. **Request process has same rigor and discipline as regular capital budget.** Each requested project has C2 with expanded description, full C-100 cost estimate and full JLARC model analysis.

5. **Investment is sound when requested.** Using the JLARC economic model, the proposal results in positive discounted life cycle cost benefit, budget benefit and/or public benefit. Examples of positive public benefit are favorable location or historic value of the building.

6. **Transaction remains sound until completed.** GA will allow its legislative authority to lapse if the project is no longer cost-beneficial, facility deficiencies are identified or the seller increases the price the state can afford.

   GA cancelled 5 of 10 approved COP projects because the projects were no longer sound business investment decisions.

7. **Limited window of opportunity may exist.** Circumstances may require an acquisition sooner rather than later. Examples are contract requirements or lessors wanting to sell.

## OTHER ADVANTAGES TO COP FUNDING

1. **Lowers public spending**. The amount to retire the COPs is lower than the amount to continue lease payments.

   5 recent GA COP projects over 25 years will avoid $11.8 million in operating budget spending. These cost avoidances will increase to $38.9 million over 30 years.

2. **Dampens cost inflation**. COP payments are constant while lease payments increase over time.

   *Median lease renewals in 5 major markets increased from 16 to 65%.*

   *5-year lease renewal increases in 2000 to date averaged 21.3% (weighted by square foot) or 4% per year compounded.*

3. **Creates new public assets**. Money formerly spent on lease payments is converted to state balance sheet.

   *5 recent GA COP projects will create public assets worth $32.7 million when COP payments are completed. The value of those assets will be $35.6 million after 30 years and will continue to increase.*

   "Return on Investment" of 5 GA COP projects is 24.3%.

   Simple payback occurs from 5 to 21 years with 11 years as the median.

4. **User, not the statewide taxpayer, has debt service responsibility.** COP financing places responsibility on the benefiting agency.

   *$39.1 million of GO-bond capacity was "freed up" with 5 GA COP projects*.

5. **More accurate accounting of program services cost.** All program-related facility costs are accounted for in operating budgets by using COP financing rather than GO-bond financing, where debt service is a responsibility of the state-at-large.

   In 2001, $3.3 million of COP service will appear in agency operating budgets rather than the Treasurer's Debt Service Account for the 5 GA COP projects.

6. **More operating budget self-sufficiency.** Self-financing systems such as COPs, financing cost recovery charges and capital project surcharges (RCW 43.01.091), and internal rents could allow general government office facilities to reduce and eventually eliminate GO bond support altogether.

   In FY 2000, GA will collect $12.8 million directly from agency operating budgets for capital debt service, Thurston County capital project surcharge, or for COP payments.

# Implemented Project Information (For 25-Year Period)

| Project | Authority | Continue Lease Cost | Ownership Cost (Not including residual value) | Budget Savings (Loss) | Residual Value end of 25 Yrs. | Total Savings (incl. Residual value) |
|---|---|---|---|---|---|---|
| Tacoma Colocation (incl. Ct. of Appeals upgrade financed by GO bond appropriation) | $16,264,028 | $82,118,572 | $73,415,744 | $8,702,828 | $14,349,525 | $23,052,353 |
| Yakima DSHS Building | $8,804,000 | $40,544,211 | $41,390,194 | ($845,983) | $11,648,299 | $10,802,316 |
| Old Thurston Co. Courthouse | $6,990,000 | $27,657,410 | $24,369,885 | $3,287,525 | $0 | $3,287,525 |
| Old Federal Building | $2,874,100 (will use $2,434,100) | $7,339,188 | $7,866,371 | ($527,183) | $3,244,511 | $2,717,328 |
| Kelso Colocation | $4,621,000 | $25,574,380 | $24,332,651 | $1,241,729 | $3,429,549 | $4,671,278 |
| Totals | $39,113,128 | $183,233,761 | $171,374,845 | $11,858,916 | $32,671,884 | $44,530,800 |

•Excludes 600 South Franklin Refinancing
•Old Thurston has $0 residual value since we already owned the building and were only acquiring lease rights

1

# Implemented Project Information (For 30-Year Period)

| Project | Authority | Continue Lease Cost | Ownership Cost (Not including residual value) | Budget Savings (Loss) | Residual Value end of 30 Yrs. | Total Savings (incl. Residual value) |
|---|---|---|---|---|---|---|
| Tacoma Colocation (incl. Ct. of Appeals upgrade financed by GO bond appropriation) | $16,264,028 | $106,181,640 | $84,702,451 | $21,479,189 | $16,660,438 | $38,139,627 |
| Yakima DSHS Building | $8,804,000 | $52,932,675 | $48,565,501 | $4,367,174 | $12,452,652 | $16,819,826 |
| Old Thurston Co. Courthouse | $6,990,000 | $35,761,815 | $27,409,592 | $8,352,223 | $0 | $8,352,223 |
| Old Federal Building | $2,874,100 (will use $2,434,100) | $9,489,777 | $9,026,761 | $463,016 | $3,683,419 | $4,146,435 |
| Kelso Colocation | $4,621,000 | $33,165,941 | $28,877,545 | $4,288,396 | $2,789,043 | $7,077,439 |
| Totals | $39,113,128 | $237,531,848 | $198,581,850 | $38,949,998 | $35,585,552 | $74,535,550 |

•Excludes 600 South Franklin Refinancing
•Old Thurston has $0 residual value since we already owned the building and were only acquiring lease rights

2

## Quality of the "Business Decision"

- For the five implemented projects the total 25-year lease cost would have been = $183,233,761.
- 25- Year Net savings (including residual value) = $44,530,800.
- Return on "investment" of lease costs in certificates of participation = 24.3%.

  ($44,530,800 ÷ $183,233,761)

Lease cost increase assumes 2.5% to 2.8% increase.
Recent trends are for 4% annual compounded rate increases.

3

## Alternatively Financed Projects Payback Periods

- The following are the "payback periods" for the implemented alternatively financed projects.
  - Tacoma Colocation - 14 Years
  - Yakima DSHS Building - 5 Years
  - Old Thurston County Courthouse Acquisition - 21 Years
  - Old Federal Building Acquisition - 11 Years
  - Kelso Colocation Office - 8 Years

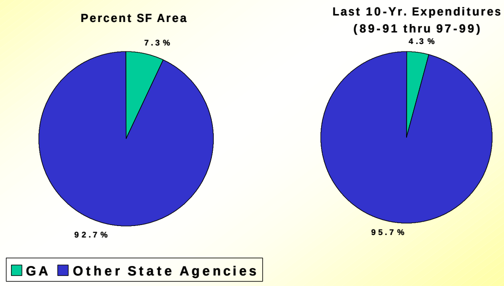
Payback period is the point when the following formula is true:

Ownership Payments + Principle Remaining on Loan - Residual Value < Cumulative Lease Payments had state continued to Lease

***The point at which, if the state decided to liquidate the transaction, it would come out ahead financially.***

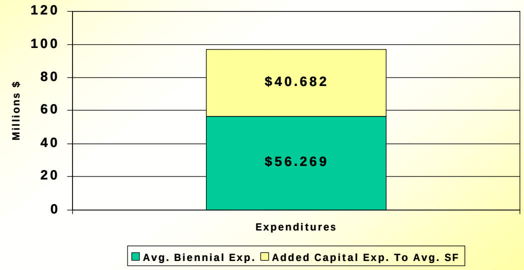
4

## General Administration’s Portion of State-owned Facilities and Capital Budget (Excludes K-12 & Transportation)




1

## If Capital Expenditures had Kept Up with % of Square Footage (Average for 89-91 through 97-99 biennia)




2

## To Partially Make Up the Difference General Government has Turned to Alternative Financing Tools

- Puts less demand on Capital Budget resources, freeing up capital resources for corrections, K-12 and higher education.
- Uses the a lease stream and ultimately the value of the asset to guarantee the loan rather than the “full faith and credit of the state.”

3

## The Reasons There is Less GO Bond Authority Available for General Government Projects

- Added cost of Corrections - both construction and increasing prison population.
- Added unhoused K-12 School enrollment
- Added unhoused Higher Education enrollment
- Added environmental (incl. Water, etc.) projects

4

## Those Needs Do Take Priority, But It Means…

- General Government projects probably will not be competitive for GO Bonds and won’t be done, unless…
- Alternative tools are used…
- Tools which enable the projects to be done with a dedicated source of funds that doesn’t rely on GO Bond financing…
- That is why General Administration has a policy to move, over time, away from reliance on GO Bond financed projects, but will rely on rental fees to generate its capital funds…
- In the meantime General Administration relies on COP’s to fund those projects that, although worthy projects, will not and cannot rise to the priority of K-12, prisons, Higher Ed or Salmon.

5

## GA Financing Authorities Using Certificates of Participation (Since 93-95 Biennium)

- 93-95
  - 9th & Columbia Building - Not exercised
  - 13th & Jefferson Building - Not exercised
  - Capital Plaza Building - Not exercised
  - Yakima Government Service Center - Not exercised
  - Refinancing of 600 South Franklin Note - Implemented
- 95-97
  - Tacoma Colocation - Implemented
- 97-99
  - Yakima DSHS Building - Implemented
  - Old Thurston County Courthouse Acquisition - Implemented
  - Old Federal Building Acquisition - Implemented
- 99-01
  - Kelso Colocation Office - Implemented
  - Yakima Office Building Acquisition - Not exercised

6

## Implemented Certificates of Participation Projects By Biennia *

($ Millions)

- 93-95 - $0.5
  - Refinancing of 600 South Franklin Note - $0.5
- 95-97 - $16.3
  - Tacoma Colocation - $16.3
- 97-99 - $18.3
  - Yakima DSHS Building - $8.8
  - Old Thurston County Courthouse Acquisition - $7.0
  - Old Federal Building Acquisition - $2.9 ($2.9 authorized but received building for free, turned back $0.4 of land acquistion authority)
- 99-01 - $4.6
  - Kelso Colocation Office - $4.6

* Authorization only. Excludes financing costs.

7

## Implemented Project Information (For 25-Year Period)

| Project | Authority | Continue Lease Cost | Ownership Cost (Not including residual value) | Budget Savings (Loss) | Residual Value end of 25 Yrs. | Total Savings (incl. Residual value) |
|---|---|---|---|---|---|---|
| Tacoma Colocation (incl. Ct. of Appeals upgrade financed by GO bond appropriation) | $16,264,028 | $82,118,572 | $73,415,744 | $8,702,828 | $14,349,525 | $23,052,353 |
| Yakima DSHS Building | $8,804,000 | $40,544,211 | $41,390,194 | ($845,983) | $11,648,299 | $10,802,316 |
| Old Thurston Co. Courthouse | $6,990,000 | $27,657,410 | $24,369,885 | $3,287,525 | $0 | $3,287,525 |
| Old Federal Building | $2,874,100 (will use $2,434,100) | $7,339,188 | $7,866,371 | ($527,183) | $3,244,511 | $2,717,328 |
| Kelso Colocation | $4,621,000 | $25,574,380 | $24,332,651 | $1,241,729 | $3,429,549 | $4,671,278 |
| Totals | $39,113,128 | $183,233,761 | $171,374,845 | $11,858,916 | $32,671,884 | $44,530,800 |

•Excludes 600 South Franklin Refinancing
•Old Thurston has $0 residual value since we already owned the building and were only acquiring lease rights

8

## Implemented Project Information (For 30-Year Period)

| Project | Authority | Continue Lease Cost | Ownership Cost (Not including residual value) | Budget Savings (Loss) | Residual Value end of 30 Yrs. | Total Savings (incl. Residual value) |
|---|---|---|---|---|---|---|
| Tacoma Colocation (incl. Ct. of Appeals upgrade financed by GO bond appropriation) | $16,264,028 | $106,181,640 | $84,702,451 | $21,479,189 | $16,660,438 | $38,139,627 |
| Yakima DSHS Building | $8,804,000 | $52,932,675 | $48,565,501 | $4,367,174 | $12,452,652 | $16,819,826 |
| Old Thurston Co. Courthouse | $6,990,000 | $35,761,815 | $27,409,592 | $8,352,223 | $0 | $8,352,223 |
| Old Federal Building | $2,874,100 (will use $2,434,100) | $9,489,777 | $9,026,761 | $463,016 | $3,683,419 | $4,146,435 |
| Kelso Colocation | $4,621,000 | $33,165,941 | $28,877,545 | $4,288,396 | $2,789,043 | $7,077,439 |
| Totals | $39,113,128 | $237,531,848 | $198,581,850 | $38,949,998 | $35,585,552 | $74,535,550 |

•Excludes 600 South Franklin Refinancing
•Old Thurston has $0 residual value since we already owned the building and were only acquiring lease rights

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## Quality of the "Business Decision"

- For the five implemented projects the total 25-year lease cost would have been = $183,233,761.
- 25- Year Net savings (including residual value) = $44,530,800.
- Return on "investment" of lease costs in certificates of participation = 24.3%.
  ($44,530,800 ÷ $183,233,761)

Lease cost increase assumes 2.5% to 2.8% increase.
Recent trends are for 4% annual compounded rate increases.

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## Alternatively Financed Projects Payback Periods

- The following are the "payback periods" for the implemented alternatively financed projects.
  - Tacoma Colocation - 14 Years
  - Yakima DSHS Building - 5 Years
  - Old Thurston County Courthouse Acquisition - 21 Years
  - Old Federal Building Acquisition - 11 Years
  - Kelso Colocation Office - 8 Years

Payback period is the point when the following formula is true:
Ownership Payments + Principle Remaining on Loan - Residual Value < Cumulative Lease Payments had state continued to Lease
***The point at which, if the state decided to liquidate the transaction, it would come out ahead financially.***

11

## What Happened with the Not Exercised Projects?

- Changes can occur that affect the project's cost benefit between authorization and implementation. GA continues to analyze the cost-benefit of the project using the JLARC model during that period. If it finds it is no longer cost-beneficial it will abandon it.
- We found facility deficiencies when we inspected.
- During the interim period the seller changed their minds regarding a sale at the price the state could afford.

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## GA Projects Follow the Budget Process

- Projects for alternative financing are requested in the agency’s 10-year capital plan
- In accordance with OFM budget instructions, each project request includes:
  - Form C-100 Project Cost Estimate
  - Form C-2 Capital Project Request
  - JLARC lease vs. purchase decision model (updated prior to project implementation)

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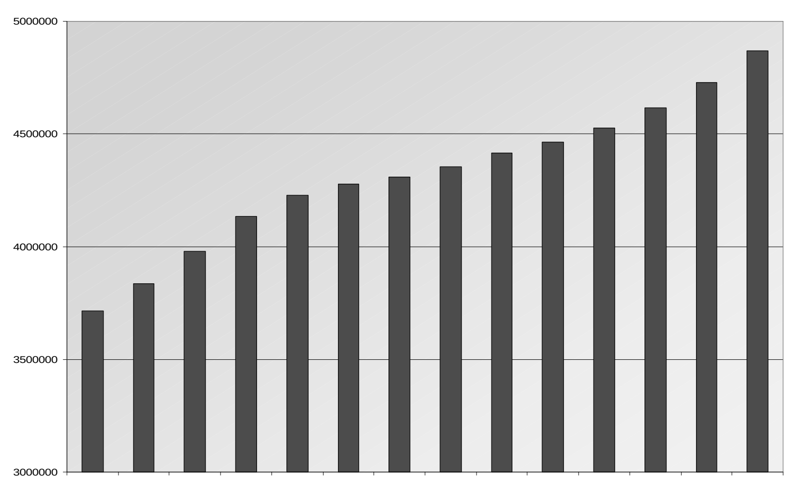
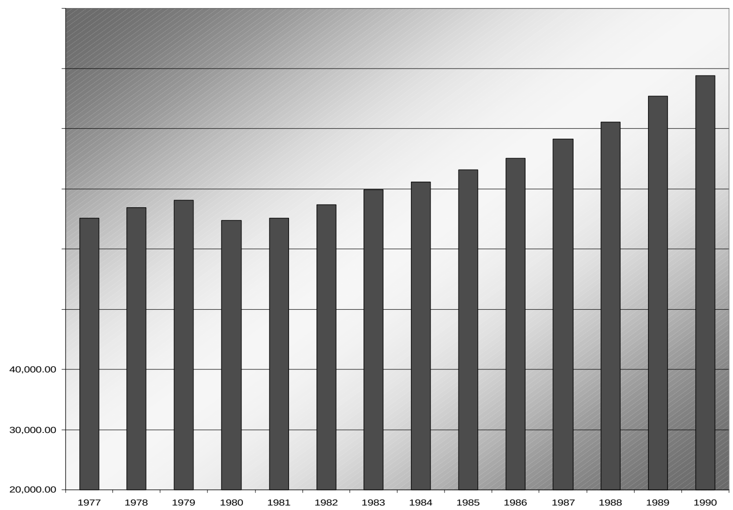
# Appendix D: Lease vs. Own Presentation to Council of State Governments

Facilities Decision Making
in the state of Washington
-
Lease v. Ownership Modeling

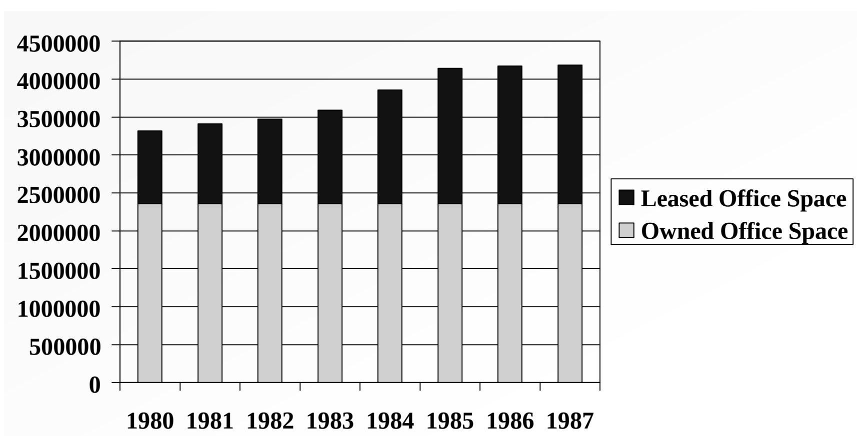
During the 80's the Population of the State



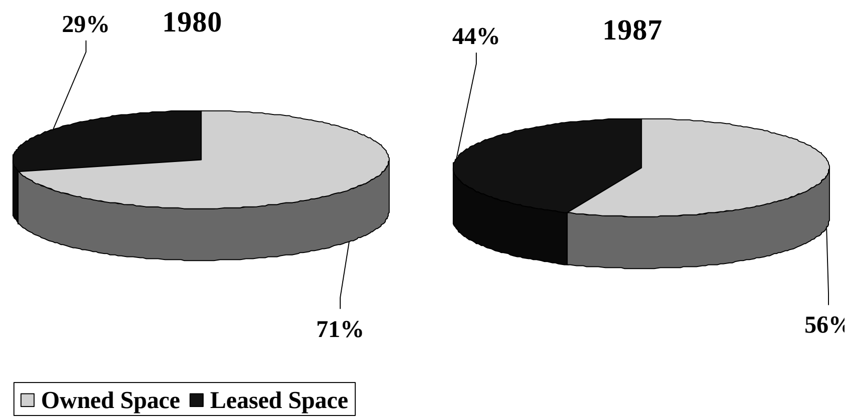
## At the Same Time the Number of State Workers Grew




## In Thurston County (the seat of State Government) In Response to the Growth in Workers We Added Office Space



But The During That Time,
All Office Space Growth Was In Leased Space




# 1991 Capitol Master Plan

- Established two additional satellite campus
- Defined limited preferred development areas as locations for state offices.
- In the early 90's the State built one office on each of the two satellite campus plus one more on the main campus.

These Three New Office Buildings Were Built
In An Effort to Save Money and Consolidate Offices

| Building | Constructed | Gross Square Feet | Office Shell & Core Cost | Shell & Core per gsf |
|---|---|---|---|---|
| Natural Resources | July, 1991 | 354,800 | $33,710,000 | $95.01 |
| Labor & Industries | September, 1991 | 412,404 | $35,770,000 | $86.74 |
| Ecology | June, 1992 | 322,695 | $31,865,900 | $98.75 |

Concerns were Raised About Costs.
And in Response in 1995
A Legislative Audit was Conducted

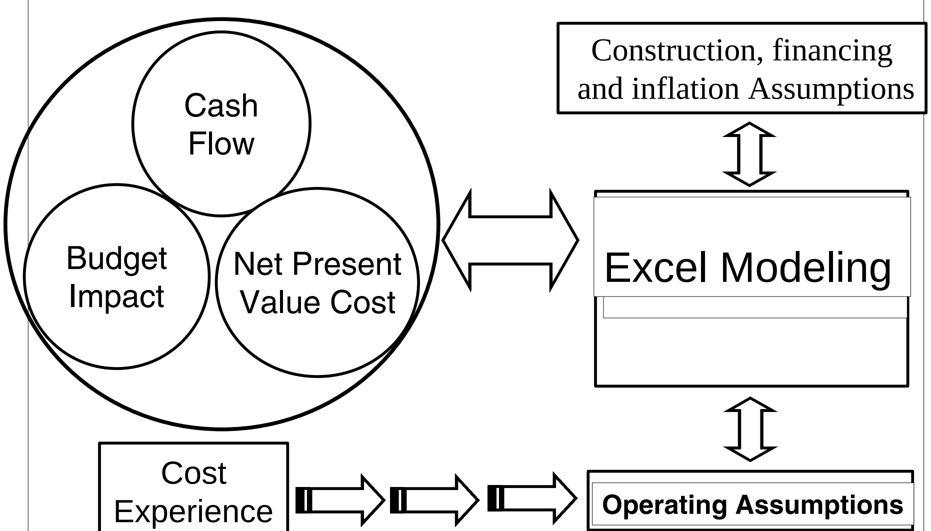
- Findings of Audit
  - Given similar facilities, development and operational costs government ownership can result in significant savings.
  - If alternatives being compared are not similar then the conventional wisdom that government ownership is less costly

- Recommendations
  - Comparisons of alternatives should use the same units.
  - All quantifiable costs should be considered.
  - Net present value cost analysis,cash flow analysis and sensitivity analysis should be done. The discount rate should be higher
  - The state should set aside reserves for major maintenance.

## As a Result the Lease v. Ownership Analysis Model was Developed

- Comprehensive
- Structured
- Standardized
- Systematic

**The Lease v. Ownership Analysis Process**



- ✓ Facility and amortization: Such factors as land value, building value, depreciable life of building, rentable square feet, planning horizon, detail of repair costs, and initial year of the analysis.
- ✓ Operating cost assumptions: Costs for utilities, custodial, maintenance, security, insurance, management fees, tenant improvements, capital improvements (during occupancy-not initial), parking, and adverse impact of taking a building off the tax rolls (if applicable). There are categories for "Other Costs" as well.
- ✓ Space assumptions: Number of staff who will occupy the space, square feet per staff, other square feet allowances in the building, and vacancy rates in under-

## Assumption Categories (Cont.)

- ✓ Financing and revenue assumptions: These include bond interest rate, cost of financing, years financed, discount rate, present "lease" cost if comparisons are being made, base rent from under-utilized space (if any).
- ✓ Moving, equipment and other one-time expenses: Moving expenses, furniture, telephone, data processing and other equipment.
- ✓ Inflation assumptions: Most categories have a unique inflation factor that is applied each year throughout the planning horizon.

Broad ranges of assumption categories are available. The state of Washington uses certain standardized assumptions. However, if an assumption category is not on the standard list the user can make additions and substitutions.

Our operating assumptions for FY 2000

| | |
|---|---|
| Utilities | $1.11 |
| Custodial | $1.11 |
| Maintenance | $1.28 |
| Security | $0.56 |
| Liability and Hazard Insurance | |
| Tenant Improvements | |
| Capital Replacement Reserve | |
| Additional Operating Costs - Leased Space | |

## These are the moving and other one-time cost assumptions (FY 2000)

| | |
|---|---|
| Moving Expenses | $222 |
| Furniture | $3,337 |
| Telephone | $139 |
| Data Processing | $139 |
| Other Equipment | $111 |

## These are the Inflation Assumptions

- Operating costs + 2.7% per year
- Lease costs + 2.5% per year
- One-time costs +2.7% per year

## Other Assumptions We Use

| | |
|---|---|
| Construction cost | Use *Means* for most |
| Life of Building | Usually 50 yrs. |
| Planning Horizon | Usually 25 yrs. |
| Discount Rate | 7% |
| Financing Rate | 6% |
| Finance Term | 25 yrs. Or less |
| Square Feet | *BOMA* Rentable |
| Square Foot/FTE | 187 - 251 rsf per FTE |

## Comparisons

- These outcomes can then be compared across alternatives to determine the preferred choice. Alternatives that can be compared include:
  - ✓Lease v. lease
  - ✓Lease v. purchase
  - ✓Construction v. purchase
  - ✓Construction v. lease
  - ✓One purchase option v. another
  - ✓One construction alternative v. another

## Sensitivity Analysis

This process provides the decision-maker with information regarding how changing assumptions will effect the outcome of the project. It allows the decision-maker to ask and have answers for “what if” questions. Sensitivity analysis shows the decision-maker the outcome when particular variables are changed and the degree of change can be measured to show the relative elasticity of the outcome to the variable

## Benefits of Sensitivity Analysis

- ✓ Gives decision-makers a wider range for variables so preciseness is not an absolute criteria
- ✓ Helps identify possible savings by changing variables (for example, construction that will extend the useful life of the
- ✓ Allows for backwards calculations (for example, if the comparable lease costs are known the model allows the user to calculate the break even price for an acquisition)
- ✓ Enables the decision-maker to weigh risks of error in

# Input - Output Sample

- In the state of Washington model assumption information is entered onto one page and the results of background calculations on those assumptions are shown on that same page.

Sample Input

| Agency | Contact | Project Name | Project Number | |
|---|---|---|---|---|
| __________ | __________ | DOH Office Building - Single Phase - State Development | | |
| **Assumptions** | | | | |
| __________ | | | **Value in Base Year $'s** | |
| | ***Facility & Amortization Assumptions (See "Acquistion Cost" Form For Additional Devel. Costs)*** | | | |
| | | Land Value | $4,600,000 | |
| | | Building Value | $34,941,000 | |
| | | Depreciable Life of Building | 50 | |
| | | Building's Rentable Square Feet | 243,190 | 93% of gsf |
| | | Base Year | 2003 | |
| | | Number of Years For Analysis | 35 | |
| | ***Operating Cost Assumptions (Use Rentable Square Feet)*** | | | |
| | | Utilities (Per Square Foot) | $ 1.21 | |
| | | Custodial (Per Square Foot) | $ | |
| | | Maintenance (Per Square Foot) | $ | |
| | | Security (Per Square Foot) | $ | |
| | | Property Tax Rate (per $1,000 of AV) | $ | |
| | | | $ | |
| | | Parking Costs (Per Square Foot) | $ | |
| | | Tenant Improvements (Per Square Foot) | $ | |
| | | | $ 1.7110 | |
| | | Management Fees (Per Square Foot) | $ | |
| | | | $ - | |
| | | Other Oper. Costs-Status Quo (Per Square Foot) | $ 1.58 | Separate savin |

## Sample Input (Cont.)

| | | | | |
|---|---|---|---|---|
| | ***Space Assumptions*** | | | |
| | | Square Footage Allowance per FTE | | |
| | | Other Total Space Allowances in Building | - | |
| | | Vacancy Rate on Underutilized Space | | |
| | | Base Number of FTE | | |
| | ***Financing & Revenue Assumptions*** | | | |
| | | Interest Rate (Percentage) | | |
| | | Cost of Financing (Percentage) | | |
| | | Present Lease Cost (Per Square Foot) | | |
| | | Base rent from underutilized space | | |
| | ***Moving, Equipment & Other One-Time Expenses*** | | | |
| | | | Value | |
| | | Moving Expenses (Per FTE) | $0.00 | |
| | | Furniture (Per FTE) | $2,162.59 | |
| | | Telephone (Per FTE) | $0.00 | |
| | | Data Processing (Per FTE) | $906.48 | |
| | | Other Equipment (Per FTE) | $0.00 | |
| | | | Value | Year |
| | | Moving Expenses (Added to Per FTE-Total) | | |
| | | Furniture (Added to Per FTE-Total) | | |
| | | Telephone (Added to Per FTE-Total) | | |
| | | Data Processing (Added to Per FTE-Total) | | |
| | | Other Equipment (Added to Per FTE-Total) | | |

## Sample Input (Cont.)

| | | | | |
|---|---|---|---|---|
| ***Inflation Assumptions*** | | | | |
| | ***Facility & Amortization Assumptions*** | | | |
| | | Land Value | 6.00% | |
| | | Building Value | 3.37% | |
| | ***Opeerating Cost Assumptions*** | | | |
| | | Utilities | 2.70% | |
| | | Custodial | 2.70% | |
| | | Maintenance | 2.70% | |
| | | Security | 2.70% | |
| | | Taxes | 2.70% | |
| | | Insurance | 2.70% | |
| | | Parking | 2.70% | |
| | | Tenant Improvements | 2.70% | |
| | | Capital Replacement Reserve | 2.70% | |
| | | Management Fees | 2.70% | |
| | | Other Oper. Costs-Acquisition | 2.70% | |
| | | Other Oper. Costs-Status Quo | 2.70% | |
| | ***Space Assumptions*** | | | |
| | | Square Footage Growth per FTE | 0.00% | |
| | | Other Total Space Growth in Building | | |
| | ***Financing & Revenue Assumptions*** | | | |
| | | Present Lease Costs | | |
| | | Increase in rents from other tenants | | |
| | ***Moving, Equipment & Other One-Time Expenses*** | | | |
| | | Moving Expenses (Per FTE) | 2.70% | |
| | | Furniture (Per FTE) | 2.70% | |
| | | Telephone (Per FTE) | 2.70% | |
| | | Data Processing (Per FTE) | 2.70% | |
| | | Other Equipment (Per FTE) | 2.70% | |
| | | Moving Expenses (Added to Per FTE-Total) | | |
| | | Furniture (Added to Per FTE-Total) | | |
| | | Telephone (Added to Per FTE-Total) | | |
| | | Data Processing (Added to Per FTE-Total) | | |
| | | Other Equipment (Added to Per FTE-Total) | | |

## Sample Output (Life Cycle Costs & Cash Flow)

***Cash Flow & Net Present Value Analysis***

| | | |
|---|---|---|
| **Cash Flow-Status Quo** | | $241,995,035 |
| **Net Present Value-Status Quo** | | $75,262,034 |
| **Square Foot Rate (Net Present Value)** | | |
| **Cash Flow-New Proposal** | | |
| | Amortization Costs | |
| | Moving & Equipment | |
| | Revenue from Underutilized Space | |
| | Repair & Replacement | |
| | ***Total Cash Flow-New Proposal*** | $142,310,796 |
| **Net Present Value-New Prosal** | | |
| | Operating Costs | $27,263,088 |
| | Amortization Costs | $45,562,481 |
| | Moving & Equipment | $3,531,583 |
| | Residual Value | ($6,443,624) |
| | Revenue from Underutilized Space | |
| | Repair & Replacement | |
| | ***Net Present Value of New Proposal*** | |
| **Square Foot Rate - Net Cost/SF (Net Present Value)** | | $18.48 |
| **Square Foot Rate - Per Square Foot Available (Net Present Value)** | | $17.98 |

## Sample Output (Budget Impact)

**Single Building Single Phase - State Development**

| | | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Rate Per Square Foot | | | | | | | | | | | |
| Expenses (at 243,190 sq. ft.) | | | | | | | | | | | |
| | Repair & Maintenance | | | | | | | | | | |
| | Liability & Hazard Ins | | | | | | | | | | |
| | Management Fees | $117,218 | $120,382 | $123,633 | $126,971 | $130,399 | $133,920 | $137,536 | $141,249 | $145,063 | $148,980 |
| Total Expenses | | $1,248,294 | $1,281,998 | $1,316,612 | $1,352,161 | $1,388,669 | $1,426,163 | $1,464,670 | $1,504,216 | $1,544,829 | $1,586,540 |
| Net Operating Cash (Revenues less expenses) | | $4,349,000 | $4,349,000 | $4,349,000 | $4,349,000 | $4,349,000 | $4,414,235 | $4,414,235 | $4,414,235 | $4,414,235 | $4,414,235 |
| Contribution (Repayment) from (to) Fund 412 | | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 |
| Total Cash Available (Net Operating Plus Cap. Res.) | | $4,349,000 | $4,349,000 | $4,349,000 | $4,349,000 | $4,349,000 | $4,414,235 | $4,414,235 | $4,414,235 | $4,414,235 | $4,414,235 |
| Debt Service | | $3,909,740 | $3,909,740 | $3,909,740 | $3,909,740 | $3,909,740 | $3,909,740 | $3,909,740 | $3,909,740 | $3,909,740 | $3,909,740 |
| Cash Available Less Debt Service | | | | | | | | | | | |
| Major Capital Replacements | | | | | | | | | | | |
| Net Revenue to Fund 412 | | | | | | | | | | | |

## In Summary the Ownership v. Leasing Decision Model Provides

- ✓ The ability to find easy answers to multiple variable
- ✓ Improved decision-making
- ✓ Faster decision information
- ✓ Assumption validity and reliability
- ✓ Cost savings
- ✓ Trust and confidence by decision makers and those affected

## Recent Pressures for Change

- Under housed staff
- Fragmentation
- Lease cost escalation
- Leased facility dispersal outside preferred development areas
- Bond limits and other capital budget
- Cost of facilities renewal

## These Pressures Led to a Call for

Thurston County Plan
Scope of Work

- The Current Situation
  - How do facilities affect operations and service?
  - What costs should be considered when making facilities decisions?
  - Overcrowding corrected by moving - when?
  - Effect of fragmentation
- Forecasting Needs
  - Space needs for today
  - Solving today's problems
  - Forecast future space needs

Thurston County Plan
Scope of Work (Cont.)

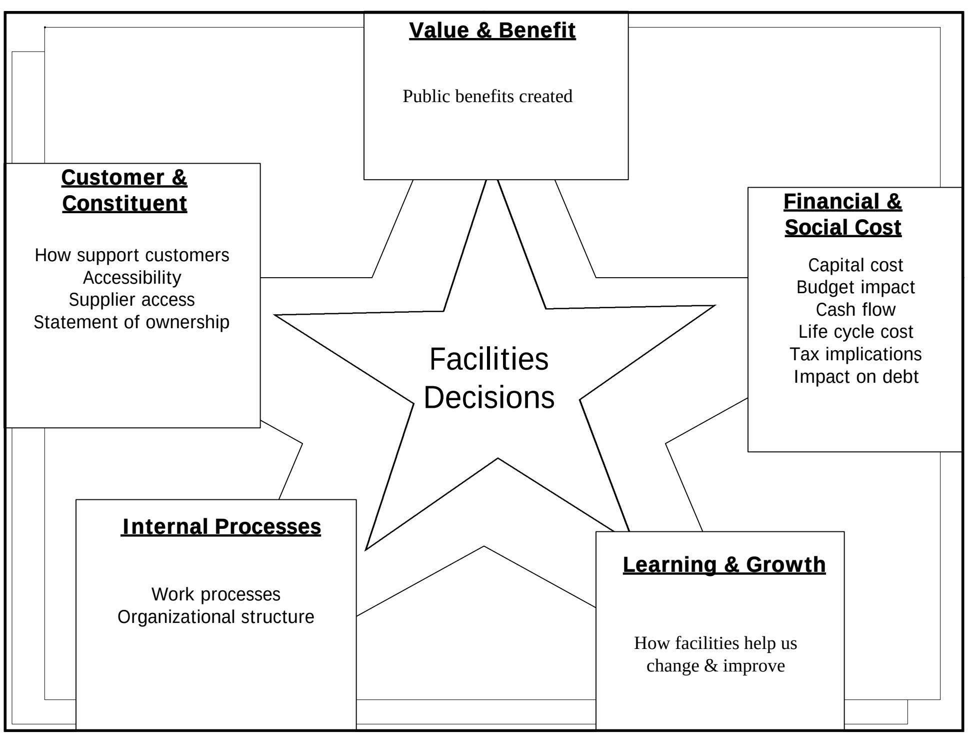
- Facility Standards
  - Owned and leased space standards
  - Technical & design specifications
  - Location factors
  - Decision-making criteria
    - budget
    - financial
    - life cycle cost
- Facility Management
  - What justifies agency move
  - Better coordination of leasing of space
  - Changes to improve state management of existing space

Thurston County Plan
Scope of Work (Cont.)

- Planning new facilities
  - Changes to improve planning, approving, budgeting and siting facilities
  - Procurement process changes
- 10-year Space Plan
  - Policy framework
  - Program framework
  - Project schedule
  - Financing concept

## The Balanced Scorecard and State Facilities

- The state of Washington has begun to use the Balanced Scorecard to help with decision making. The following chart depicts questions we are asking regarding our facilities decisions. *Financial and Social Cost* is one aspect of our analysis. Our lease v. ownership modeling is an important building block for that scorecard



## More Information

### Our Web Link

http://www.ga.wa.gov/dres/LeaseModel.htm

### Contacts:

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# Appendix E: Capitol Campus Design Advisory Committee (CCDAC) and State Capitol Committee (SCC) Briefing Materials

STATE CAPITOL COMMITTEE
**JANUARY 6, 2000**

**STATE CAPITOL MASTER PLAN REVISION**

**Purpose: Information**

The purpose of this agenda item is update the SCC on Thurston County lease and space planning over the past seven months which relates to *The Master Plan for the State Capitol (1991)* and request SCC concurrence with GA's plan to site the Department of Health consolidated headquarters building in a Preferred Development Area if the Governor's Supplemental Budget Request is authorized by the legislature. Grant Fredricks, General Administration's Deputy Director, will make the presentation.

BACKGROUND

On March 25, 1999, SCC received an informational briefing on GA's effort to establish a clearer policy to support cost-effectiveness and efficiencies in state leased facilities in Thurston County. On June 3, 1999, SCC was presented a proposal (Attachment 1) to amend *The Master Plan* by including a Thurston County Leasing Policy with new areas identified as "Preferred Leasing Areas. GA worked with local jurisdictions on the development of the policy.

SCC discussed the proposed policy but deferred action pending more work by GA and the results of a study by the House Capital Budget Committee. That work is now complete and the Committee's report included as Attachment 2.

SCC was also briefed on headquarters building planning just being started by the Department of Health. That planning concluded that a 261,500 square foot office building was needed by 2003 to consolidate the agency from its 21 Thurston County leased office sites.

The Governor's supplement budget released on December 16, 1999 requests authority for the Department of General Administration to procure a single replacement leased Thurston County facility with an option to purchase, and requests a $400,000 capital appropriation to support project planning. If authorized by the legislature, GA recommends that the building be located in a Master Plan-designated Preferred Development Area since that state intends to eventually purchase the building. A proposed motion is at Attachment 3.

As GA worked on Preferred Leasing Areas and lease planning, local jurisdictions more clearly refined areas they had earlier identified as Preferred Development Areas (i.e., areas within their cities that they preferred that the state build to own). Within those areas, the cities and the Port of Olympia also helped GA identify sites that *might* be able to accommodate the proposed Department of Health project. Those areas and sites are further identified behind the proposed motion at attachment 3.

The organizing principles of the 1991 Master Plan have been re-affirmed over the past seven months of lease and space planning by GA, other state agencies and the legislative fiscal committees.

- Cooperation and partnerships between the state and its host communities.
- Development according to sound growth management principles, including mixed uses and urban densities.
- Linking land uses to regional transportation systems.
- Reducing transportation impacts of growth through careful siting.
- Need for comprehensive planning and clear standards.

A leasing policy framework for the Leasing Policy envisioned in the 1991 Master Plan has begun to emerge:

- Coordinating future space needs to better co-locate and consolidate state facilities.
- Identification of *preferred development* (oriented toward but not necessarily limited to state ownership) and *preferred leasing areas* (oriented on private development and ownership).
- Agreement on performance, space and cost standards for both state owned and state leased offices.
- Development of transportation demand management strategies and consistent parking management practices.
- Executive and legislative coordination of state leasing decisions with special emphasis on better managing budget impacts.

GA will present a proposed Lease Policy amendment to the *Master Plan* at the next SCC meeting. It will include an updated *Preferred Leasing Area* policy initially proposed on June 3, 1999.

***(Revised 5/24/99)*** Attachment 1

This is the Final of the **Preferred Leasing Policy** proposal presented to the State Capitol Committee on June 3, 1999 as an addendum to *The Master Plan for the State Capitol*.

**Policy Intent:**
One of the important goals of *The Master Plan for the State Capitol of 1991* (Plan) is "the coordination of government facility needs with adjoining communities through urban redevelopment and the creation of satellite campuses". The Plan calls for "new construction (of state office buildings) to be concentrated in three preferred development areas" in Lacey, Olympia, and Tumwater and promotes consolidation and co-location of state office facilities, transportation demand management and growth management principles. In addition, the Plan calls for a leasing strategy to be devised "to improve the cost-effectiveness and manageability" of leased property.

While the Plan identifies areas for the development of state owned offices, it provides no clear direction for office space leased by the state. This Preferred Leasing Policy is being added to the Master Plan for the State Capitol to provide clear direction on the leasing of state office space in Thurston County that is consistent and compatible with the objectives of the Plan.

**Preferred Leasing Policy**: *The State shall promote the leasing of state office space in Thurston County in the Preferred Leasing Areas identified by the cities of Lacey, Olympia and Tumwater.*

**Preferred Leasing Areas**
The local governments of Lacey, Olympia and Tumwater have identified the following areas (see attached maps for specific boundaries) as Preferred Leasing Areas (PLAs):

1. Lacey:

(a) The Woodland Square area, bounded by Golf Club Road on the west, College Street on the east, Pacific on the south and 6th Avenue on the north

(b) The Saint Martins satellite campus area around the Department of Ecology, south of Martin Way at Desmond Drive, west of Woodland Creek, generally north of 6th Avenue SE extended and east of the Saint Martins meadows wetlands.

(c) The Lacey Corporate Center, bounded by College Street to the eats, Yelm Highway to the south, the Chehalis Western Trail to the west and the Corporate Center Apartments to the north, except for the 20 acres zoned Community Commercial at the northwest corner of College Street and the Yelm Highway.

2. Olympia

(a) The downtown core, defined by Capitol Lake on the west, Eastside Street on the east, 14th Avenue on the south and Budd Inlet on the north.

3. Tumwater

(a) The Sunset Life/Brewery area, bounded by Capitol Boulevard and Sunset Way; south along Sunset Way on the north, North Street-Custer Way and Capitol Boulevard on the south; and the Deschutes Parkway and the Deschutes River-Capitol Lake on the east.

(b) The Tumwater Campus area (now referred to as the Tumwater Town Center), extending north along Capitol Boulevard to Dennis to include the Point Plaza West office development on the west, the proposed office development site south of the Peter G. Schmidt Elementary School on the east and extending further east to Bonniewood Drive, north of Airdustrial Way; east of Interstate 5; and south of Israel Road to the Point Plaza West development.

(c) The Linderson Way area, including the general commercial zone beginning just north of Tartan Drive.

The Preferred Leasing Policy will achieve the goals of *The Master Plan for the State Capitol* by implementing policies and procedures that:

*1.* Support growth management principles and the Comprehensive Plans of the cities of Lacey, Olympia and Tumwater by promoting state office leasing in Preferred Leasing Areas (PLAs).
*2.* Promote consolidation and co-location of state office facilities through coordinating with agencies and local jurisdictions.
*3.* Support the development and implementation of transportation demand management and commute trip reduction programs at state agency worksites.
4. Provide authority to the Director of General Administration to waive any of the leasing policies and/or procedures when state operations would be adversely affected.

**STATE CAPITOL COMMITTEE**
**JANUARY 6, 2000**

Attachment 3

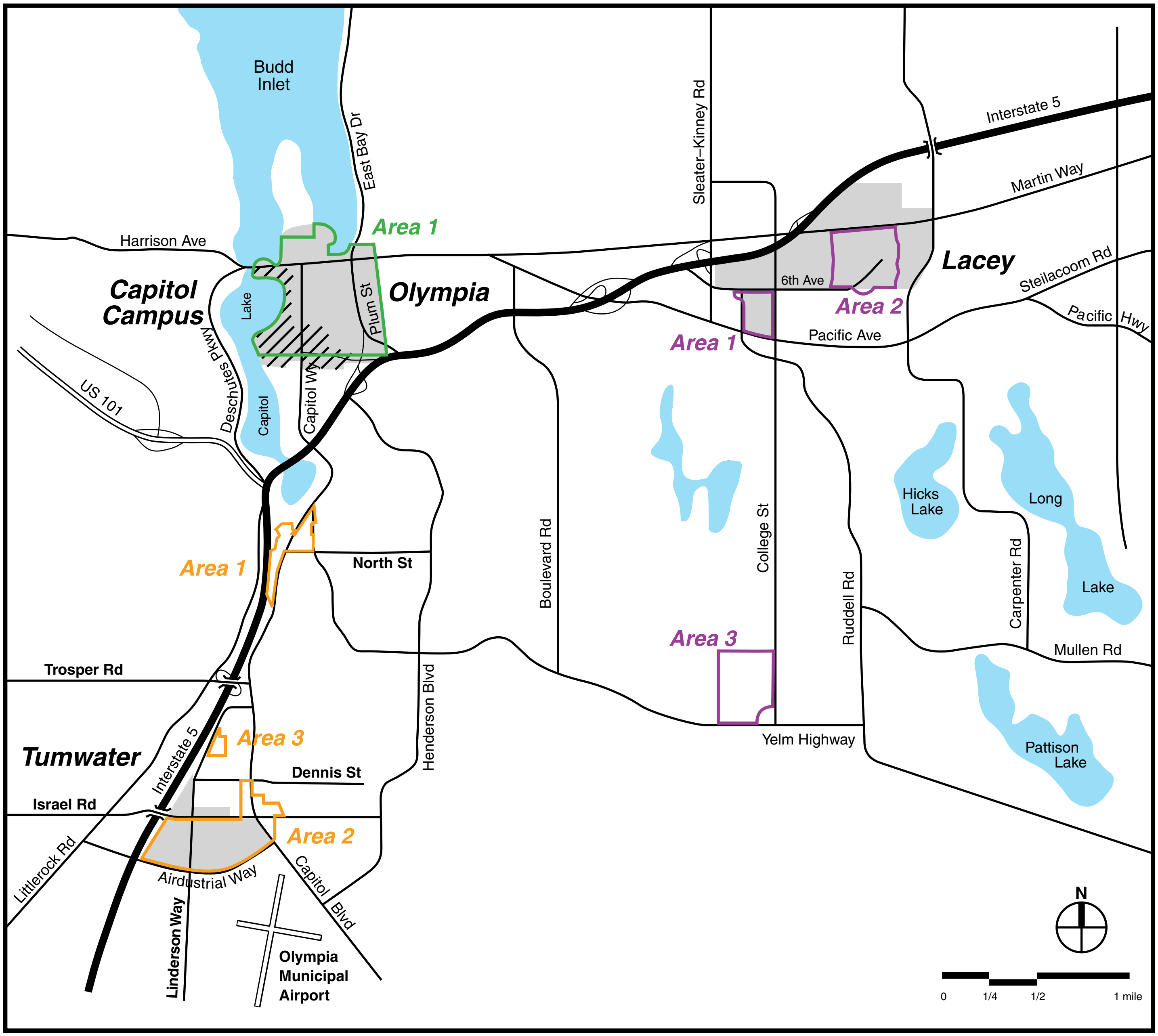
**SITING THE PROPOSED DEPARTMENT OF HEALTH HEADQUARTERS**

**DRAFT MOTION:**

***The State Capitol Committee directs that a new Department of Health headquarters, if authorized by the legislature, be located in a Preferred Development Area as defined by The Master Plan for the State Capitol.***

# Preferred Lease and Development Areas

*Thurston County*




State Capitol Campus

Preferred Development Area for a mix of State Office and Private Development

Preferred Leasing Areas
- Olympia
- Lacey
- Tumwater

W shington State Department of
**General Administration**

Public Affairs Office – May 2000


PORT OF OLYMPIA
# 1
SITE
# 2
# 3
# 5
# 4


N
TUMWATER HIGH SCHOOL
STANTON CT.
SINGLE-FAMILY HOUSING
6TH AVE S.W.
MULTI-FAMILY HOUSING
OFFICE SITES
OFFICE SITES
CAPITOL BLVD.
DENNIS
TAVERN
INTERSTATE 5
FIRST CHURCH OF THE NAZARENE
LINDERSON WAY
ISRAEL RD S.W.
CITY HALL
FIRE STATION
PORT OF OLYMPIA
OLD 99 HWY
CITY SHOPS
TUMWATER LIBRARY
NEW MARKET
MULTI-FAMILY HOUSING
DEPT. OF LABOR & INDUSTRIES
CLEARWATER LN.
OFFICE SITES
OFFICE SITES
PORT OF OLYMPIA
TUMWATER SCHOOL DIST. #33
(OPEN)
NEWMARKET VOCATIONAL SKILLS CENTER
(OPEN)
OFFICE SITES
PORT OF OLYMPIA
AIRDUSTRIAL WAY
WASH DEPT. GEN. ADMIN. (OPEN)
LINDERSON WAY
WASH DEPT GEN. ADMIN. (OPEN
GRANGE
(TEXACO)
(UPS)
(RICHMOND ENGR)
(OPEN)
PORT OF OLYMPIA
PORT OF OLYMPIA (OPEN)
NEW MARKET
PORT OF OLYMPIA
AIRDUSTRIAL WAY

**State Capitol Committee**
**January 6, 2000**

**Members Present:** Lieutenant Governor Brad Owen
Marty Brown, Director, Office of Financial Management
Governor Locke's Designee
Secretary of State Ralph Munro
Commissioner of Public Lands Jennifer Belcher

**Members Absent:** None

***Business Meeting***

Lt. Governor Owen called the meeting to order at 10:00 a.m. and informed the Committee that Governor Locke was unable to attend the meeting and that Mr. Brown, Director of the Office of Financial Management, would represent the Governor. He announced that the agenda was published in the *Seattle Daily Journal of Commerce* and *The Olympian*.

Lt. Governor Owen asked for approval of the June 3, 1999, State Capitol Committee (SCC) meeting minutes. The minutes were approved as written.

Mr. John Lynch was introduced to the SCC members. Mr. Lynch is the Assistant Director for the Division of Engineering and Architectural Services, Department of General Administration. He will be attending future SCC meetings.

Mr. Levitt White was introduced as the son of Mr. Harry K. White, the architect for the State Capitol Group buildings. Mr. Levitt White is an honorary member of the Legislative Building Preservation & Renovation Commission.

***Legislative Building Preservation & Renovation Commission Recommendation***

Ms. Patricia McLain, Program Manager with General Administration, led the discussion regarding the Legislative Building Commission's Recommendation and asked the members to endorse the Legislative Building Rehabilitation and Capitol Addition Plan.

Ms. McLain reminded the committee that on April 23, 1999, the Legislature passed House Concurrent Resolution 4410, establishing a Commission to identify a plan and resources for the preservation and renovation of the State Legislative Building. The twenty-one members included elected officials, senators, representatives, and citizen members appointed by the Governor.

The Legislative Building Rehabilitation and Capitol Addition Plan will be submitted to the Legislature during the 2000 session at the Legislature's direction.

The plan proposes the following work on the Legislative Building:

- Repair and replace heating, ventilation, air conditioning, plumbing & electrical systems
- Strengthen seismic reinforcement
- Improve access and safety in the building and the adjacent site
- Repair and protect the building exterior

- Construct an adjacent Capitol Addition. This addition is the only new construction included in the project.

Ms. McLain reviewed the four elements of the draft motion prepared for SCC's consideration, and stated that the draft motion concurs with the recommendation of the Legislative Building Preservation & Renovation Commission. The total cost of the project, including state and private financing, is $111 million. The state-funded portion is $105.5 million. The following components compose the total project budget:

1. Repair, replace and install modern heating, cooling, electrical, fire safety systems; clean, treat and repair exterior sandstone; improve the adjacent site - $85.9 million.

2. Complete space use programming, investigate sandstone attachment, and conduct a feasibility study of private financing - $1 million.

3. Construct a new Capitol Addition adjacent to the Legislative Building to meet needs for public space, relocation of displaced space, consolidation of state agencies and temporary relocation during construction - $18.6.

4. Support the establishment of a private foundation to engage the public in the preservation of the Legislative Building and raise $5.5 million (5%) in private donations for restoration work considered primarily aesthetic, and for related public education.

Ms. McLain furnished a rendering of the Conceptual Site Plan for the Capitol Addition, which illustrates the 37,000-square-foot below grade capitol addition and potential skylight locations.

Ms. McLain reviewed two options for making policy decisions related to the planning, design and construction of the Legislative Building Rehabilitation and Capitol Addition Plan. Guidance will be needed on space use and private donations. The options include a State Capitol Sub-committee or an Executive Tenant Committee. Both options would be supported by the Capitol Campus Design Advisory Committee (CCDAC) and an advisory tenant committee, which would include representatives of all the tenant agencies in the Legislative Building.

Secretary Munro suggested adding the word "furnishings" to the draft motion regarding the private foundation.

Secretary Munro suggested that GA determine what $7.5 million (the cost to construct the Legislative Building in 1927) is in today's dollars. The value of the building in today's dollars is a lot more than $105 million and would help to put the costs of the renovation project into perspective.

Secretary Munro and Commissioner Belcher asked the following questions about the design of the Capitol Addition:

- How will people access the new addition?
- How will the addition change the South Portico (landscaping, aesthetics, etc.)?
- What parts of the addition will be visible?

Ms. McLain indicated that she would provide the requested information to Secretary Munro and Commissioner Belcher.

Lt. Governor Owen supported the establishment of a Tenant Committee. He suggested that a Supreme Court representative be added as a member of the Tenant Committee.

Secretary Munro suggested that leadership from the House and the Senate should be involved in the Tenant Committee.

Commissioner Belcher supported the establishment of a Tenant Committee for continued guidance. She also indicated that it might be difficult to involve elected officials in the committee due to the election year. She suggested inviting leadership on a regular basis to SCC meetings to keep them appraised of current issues.

Marty Brown strongly supported the Tenant Committee option and suggested that all members of the Tenant Committee be allowed to appoint a designee to attend in their place.

The committee reached consensus to support the Tenant Committee option for making policy decisions related to the planning, design and construction of the Legislative Building Rehabilitation and Capitol Addition Plan.

Commissioner Belcher suggested providing ADA access underground in the new addition, due to the long traveling distance between the buildings. She indicated that if an egress is built underground, it would be an opportune time to review the costs of including enclosed/covered ADA access.

Commissioner Belcher expressed concern with the dedicated timber revenues and cautioned that DNR does not know what the future will hold. DNR conducts a forecast on a quarterly basis because the timber market changes frequently. DNR can provide a projection into the year 2013, but cautions that it is only an estimate that relies on various issues, and that there is no guarantee of funds from the timber revenues. Commissioner Belcher also cautioned that the timber market itself is not predictable, and that as the population grows in Washington State, it is increasingly difficult to harvest timber.

Marty Brown and Secretary Munro suggested amending the draft motion to read the SCC "*concurs with and supports"* in place of the word "*approves*."

Lt. Governor Owen thanked Ms. McLain for her outstanding work supporting the Legislative Building Preservation and Renovation Commission. Lt. Governor Owen asked for additional comments. None were provided.

The State Capitol Committee unanimously passed the following motion:

> *The State Capitol Committee concurs with and supports the recommendations of the Legislative Building Preservation & Renovation Commission for the rehabilitation of the Legislative Building. The recommendations include:*
>
> - *Complete rehabilitation of the Legislative Building and construction of a new Capitol Addition adjacent to the building.*
>
> - *Authorization and financing of the $105.5 million public portion through bonds repaid with dedicated timber revenue and agency rent revenue.*

- *The establishment of a private foundation to raise funds primarily for restoration of the building and furnishings, and for public education purposes.*

- *The inclusion of legislative leadership in policy-level decision making, and professional preservation experts and citizen representatives in an advisory capacity during all aspects of the project.*

***State Capitol Master Plan Revision***

Mr. Fredricks, General Administration's Deputy Director, presented an update on the Thurston County lease and space planning as it relates to *The Master Plan for the Capitol of the State of Washington.* He requested SCC's concurrence with GA's plan to site the Department of Health consolidated headquarters building in a Preferred Development Area, provided that the Governor's Supplemental Budget Request is authorized by the legislature.

On March 25, 1999, SCC received an informational briefing on GA's effort to establish a clearer leasing policy that would support cost-effectiveness and efficiencies in state leased facilities in Thurston County.

On June 3, 1999, SCC considered a proposal to amend *The Master Plan for the Capitol of the State of Washington* by including a Thurston County Leasing Policy with newly identified Preferred Leasing Areas. GA had worked with local jurisdictions on the policy's coordinated approach towards state leasing. SCC discussed the proposed policy but deferred action pending results of a House Capital Budget Committee study. A State Leasing Policy subcommittee completed the report and submitted it to the Capital Budget Committee on December 2, 1999.

SCC was briefed on planning just being started by the Department of Health to construct a headquarters building. The planning concluded that a 261,500 square-foot office building is needed by 2003 to consolidate the agency from its 21 Thurston County leased office sites.

The Governor's supplement budget released on December 16, 1999, requests authority for GA to procure a leased Thurston County facility with an option to purchase, and requests a $400,000 capital appropriation to support project planning. If authorized by the legislature, GA recommends that the building be located in a Master Plan-designated Preferred Development Area since the state intends to eventually purchase the building.

GA and local jurisdictions have more clearly defined the Preferred Development Areas outlined in *The Master Plan for the Capitol of the State of Washington*. The organizing principles of the Master Plan have been re-affirmed over the past seven months of lease and space planning by GA, other state agencies and the legislative fiscal committees. Those organizing principles are:

- Cooperation and partnerships between the state and its host communities.
- Development according to sound growth management principles, including mixed uses and urban densities.
- Linking land uses to regional transportation systems.
- Reducing transportation impacts of growth through careful siting.
- Need for comprehensive planning and clear standards.

A framework for the Leasing Policy that is envisioned in the 1991 Master Plan has begun to emerge:

- Coordinate future space needs to better co-locate and consolidate state facilities.
- Identify Preferred Development Areas (oriented toward but not necessarily limited to state ownership) and Preferred Leasing Areas (oriented toward private development and ownership).
- Agree on performance, space and cost standards for both state-owned and state-leased offices.
- Develop transportation demand management strategies and consistent parking management practices.
- Coordinate executive and legislative decisions on state leasing with special emphasis on better managing budget impacts.

GA will present a proposed Preferred Leasing Policy amendment to the Master Plan at the next SCC meeting. The Master Plan will include an update on the Preferred Leasing Policy initially proposed on June 3, 1999.

Mr. Fredricks reviewed the Preferred Leasing Policy, identifying the Preferred Leasing Areas for Lacey, Olympia and Tumwater:

- Lacey: Woodland Square, Saint Martin's satellite campus, and the Lacey Corporate Center.
- Olympia: The downtown core, defined by Capitol Lake, Eastside Street, 14th Avenue, and Budd Inlet.
- Tumwater: The Sunset Life/Olympia Brewery area, the Tumwater Campus, and the Linderson Way area.

Mr. Fredricks indicated that local governments and GA would continue to refine the Preferred Leasing Areas by finding the right balance between the needs of the state and local jurisdictions, including the ability for local jurisdictions to exercise influence over areas they want to make off-limits to state leasing.

Secretary Munro indicated that he is opposed to developing the Lacey Corporate Center. SCC previously reviewed that site and was opposed to it then. Secretary Munro stated that SCC should continue to discourage any development of state offices in that area because it would increase transportation problems on the Yelm Highway.

Secretary Munro supported the Tumwater Campus area.

Commissioner Belcher stated that it is appropriate for the local jurisdictions to identify where they want development to occur, but the SCC needs to base decisions and recommendations on the needs of state government as well. She emphasized that although there may be areas on a map identifying the local jurisdictions' Preferred Development Areas, the SCC doesn't necessarily support development in those areas. She recommended that SCC publish its own map of Preferred Development Areas so that expectations are clarified. The Committee already followed a deliberate process to identify Preferred Development Areas and support communities in directing growth to those areas. It doesn't make sense to go outside those areas unless it supports the needs of state government.

Mr. Fredricks stated that Lacey is asking to narrow the boundaries in one of the Preferred Development Areas identified in 1990. The central business area that was originally identified for state government is now an area that Lacey wishes to preserve for retail. Lacey wishes to direct state development to the 40 acres of state owned property at Saint Martin's.

Mr. Fredricks mentioned that proposals for the Tumwater area include the Sunset Life Building, the Old Brewery House and the Carpet Exchange Building.

Commissioner Belcher stated that the Old Brewery and the Sunset Life Buildings do not meet the goals that SCC established for state office buildings. They are not appropriate due to location and building standards.

Commissioner Belcher recommended that SCC reiterate the principles already stated in the Master Plan for the location and development of state facilities in Thurston County. If the state needs more space than is available in the Preferred Development Areas, a Request for Proposals should be placed with the local communities. The Old Brewery could not accommodate the transportation demands of hundreds of state employees. When the original Master Plan was developed, SCC wanted to concentrate growth in areas served well by public transportation that could accommodate a significant number of employees. The state should not lease facilities simply because they are available buildings in a community. SCC needs to clarify the state's criteria for preferred development.

Secretary Munro recommended that GA develop a map that shows the leasing areas preferred by local government and the leasing areas preferred by the state. He indicated that he had no objection to the Woodland Square area and commended Lacey on their downtown planning process.

Secretary Munro and Mr. Brown supported Commissioner Belcher's proposal to clarify the state's principles and policies and to adopt a supporting map that would ensure clear communications.

Mr. Fredricks analyzed some of the sites in the Preferred Development Areas according to their ability to support a large state office project. The area that the City of Olympia is most interested in, near the downtown transit center, presents some partnership opportunities. A parking garage could be developed by an entity other than state but could serve state offices. The location could take some pressure off LOTT, support the Port of Olympia and Farmer's Market, and be contiguous with the public transit center. GA will continue to work with the City and Port of Olympia to explore the proposal.

Commissioner Belcher added a note regarding the memorandum from the State Leasing Policy Subcommittee. On page three they recommend that the legislature endorse the continued use of the JLARC (Joint Legislative and Audit Review Committee) model to provide cost information about leasing and ownership alternative for state facilities. Commissioner Belcher stated that the JLARC model is a 25-year model that does not give a fair comparison of costs. Most private sector facilities are built to last for only 25 years. She indicated that it would not be until after the bonds have been repaid that the value of state-built long-term ownership can be seen. Commissioner Belcher suggested that it is important to comment on the *true* long-term costs and benefits of building verses leasing.

Mr. Fredricks indicated that there is a recommended, but not a required, time frame for analysis. GA completed analyses on the Department of Health for a 25-year period and a 35-year use. He indicated that the JLARC model allowed use of whatever assumptions were most appropriate. OFM tells the executives agencies what assumptions to input for planning purposes. OFM has the flexibility to establish the evaluation criteria.

Mr. Fredricks requested that SCC concur with GA's plan to site the Department of Health consolidated headquarters building in a Preferred Development Area if the Governor's Supplemental Budget Request is authorized by the legislature, with the understanding that at some point the state would acquire the property.

The State Capitol Committee passed the following motion:

> *The State Capitol Committee directs that a new Department of Health headquarters, if authorized by the legislature, be located in a Preferred Development Area as defined by The Master Plan for the State of Washington.*

Secretary Munro expressed a hope that the public realizes that this motion is based on many years of research, including public transportation criteria, safety, good public planning and a wide variety of other considerations.

***State Capitol Committee - Administrative Business***
Ms. Miller, General Administration's Capital Programs Manager, presented the dates and planned agenda items for SCC meetings for the calendar year 2000.

Mr. Brown proposed that the March - April meeting be scheduled after April 1. He indicated that the legislature is scheduled to be out of session on March 9, followed by a 20-day bill-signing period that ends April 1.

The State Capitol Committee members approved the scheduling of four committee meetings for the remainder of the calendar year 2000:

- *April 1 through April 15*
- *June 1 through June 30*
- *October 1 through October 31*
- *December 1 through December 29*

***Other Business***
In response to Secretary Munro's request for updates on Capitol Campus projects, Ms. Miller briefed the committee on the following projects:

**The World War II Memorial** is essentially complete, with a few items to be finished this spring when the weather is more favorable. GA is finalizing an operating agreement with the Department of Veteran Affairs.

**The Law Enforcement Memorial** proponent is continuing with fund raising. GA has been working with their geo-technical engineer and with the DNR staff regarding hillside stabilization issues. GA is working with CCDAC on design issues and will proceed once engineering and funding issues are resolved. The engineering issues might affect the amount of funds needed to stabilize the hillside.

**The Millennium Carillon** proponent is continuing with the fund raising. GA has been informed recently that the Millennium Carillon Association is beginning to select a designer, which will be presented to CCDAC for guidance.

**Heritage Park** will begin the second phase of construction in the summer of 2000 to finish the Arc of Statehood. GA is working with local jurisdictions to examine opportunities for improving local sewer and water systems. This opportunity to work with local jurisdictions will reduce costs for Heritage Park and for local improvements. GA has begun use-programming work that will be used in design for future phases. As part of this work, GA will solicit input from western and eastern Washington communities about the future use of Heritage Park.

Ms. Miller indicated that grass is growing at Heritage Park and is intended to provide a temporary ground cover until the park is fully developed.

In September 1999, GA was informed that the Governor's office received an invitation from the US Department of Agriculture for Washington State to participate in a Millennium Grove program. The program would provide the state 100 trees to establish a Millennium Grove, possibly within Heritage Park.

Commissioner Belcher recommended that GA provide a one-page synopsis on current capitol campus projects to update members at future SCC meetings.

Regarding earthquake proofing the Legislative Building and anchoring down the sandstone, Secretary Munro suggested that GA and/or the design consultant prepare a list that would prioritize the stones that need to be anchored down.

Secretary Munro recommended that the aluminum top on the Legislative Building’s lantern be removed when restoration work is done on the building.

Secretary Munro recommended planning for the artwork for the pedestals in front of the Legislative Building.

Secretary Munro suggested that GA research available property in Thurston County that the state could purchase. He indicated that the Olympia and Tumwater school districts are projecting where they want to be in 10 or 15 years and are purchasing property now.

Commissioner Belcher stated that she would review the parameters governing the purchase and exchange of property using capital trust lands. She indicated that there are some strict parameters in the constitution, but there may be flexibility to use trust lands to acquire properties.

Mr. Fredricks indicated that GA has three years to develop the property just south of L&I before the original owner has the communal lateral right to reacquire the property at the original purchase price.

Lt. Governor Owen asked for remaining remarks from the committee. None were presented and the meeting adjourned at 11:25 a.m.

**STATE CAPITOL COMMITTEE**
**APRIL 17, 2000**

**THURSTON COUNTY SPACE NEEDS STUDY**
**PURPOSE: INFORMATION**

The purpose of this agenda item is to:

- Review the 1991 Capitol Master Plan.
- Update the State Capitol Committee on GA's legislative direction regarding Thurston County lease and space planning.
- Review GA's schedule for producing their December 2000 report and recommendation to the legislature.
- Discuss how the State Capitol Committee will help shape the outcome of this planning effort, and provide background information from GA staff and other interested parties.

Grant Fredricks, Deputy Director for General Administration, will lead the presentation.

*MASTER PLAN FOR THE CAPITOL OF THE STATE OF WASHINGTON* - HIGHLIGHTS

The 1991 *Master Plan* sets forth a 20-year guide for construction, expansion and acquisition of property on campus, in the Capital City of Olympia and in the Capital Community of Lacey and Tumwater.

**Preferred Development Areas**. The Master Plan calls for new construction to be concentrated in three preferred development areas:

- The Capitol Campus
- Olympia, the Capital City
- Lacey and Tumwater, the Capital Community

Instead of relying on leased space simply because it is available, state agencies in the Preferred Development Areas should be placed on sites specifically chosen to best serve their functions.

**Creating Satellite Campuses.** State government, according to the Master Plan, shall not impose itself upon these communities but live, work and interact with and alongside the communities and their people and enterprises.

New offices in Tumwater and Lacey are not conceived as islands of state government, but rather as fully-integrated sectors of these cities. They are intended to concentrate employees in a small area to support community services such as retail, restaurants, banking, dependent care, pedestrian access and housing. They should encourage alternatives to single-occupancy vehicles, such as public transit. Satellite campuses should involve a mix of private, local and state government buildings to achieve a variety of land uses.

Satellite campuses in Tumwater and Lacey were envisioned for 800,000 to 1 million square feet of development (4,000 to 5,000 state and private employees) to provide for efficient public transit and ridesharing alternatives and to support services as well as retail business.

This Master Plan was prepared in partnership with local government, and each of these cities has taken steps to integrate the Master Plan recommendations into their respective community plans. The satellite campuses have been placed within each of these preferred development areas.

**Facility Development.** From the 1990 base of 18,000 employees, state employment in Thurston County was forecast to grow to between 20,200 and 27,500 employees by 2010. State employment in September 1999 was 24,229.

**Sequencing Projects.** Any negative effects on local lease markets should be minimized by gradually reducing the amount of leased space occupied by the state. This is in step with the Master Plan's goal of reducing the proportion of leased properties to no more than 20 percent by 2010, a percentage based on the current national norm for state-owned and leased properties at state capitals.

**Criteria for Locating New Development.** The question of which agencies must locate on the Capitol Campus or off-campus in Olympia, Tumwater or Lacey should consider enhancing the public service functions of agencies

**Developing a Leasing Strategy.** To improve leasing practices, the Department of General Administration committed to develop a strategy to evaluate current leasing procedures and propose needed legislative or funding changes. General Administration also was to gather information on the amount and condition of leased and owned facilities to identify needs and priorities. Inadequate leased spaces were to be replaced with leases in larger or more appropriate buildings.

**New Leases Must Maximize the State's Investment.** The need for a new leasing strategy was identified to reduce the overall number of leases and limit the amount of inefficient space. Any long-term plan for leasing was to be done at the same time as a plan for ownership, developed at four-to six-year increments and updated each biennium.

**Transportation Management Program.** In this Master Plan, the state recognizes an opportunity to craft an efficient, environmentally sound plan for transportation and parking in the capital region. Its goals are simple: to reduce the number of state employees using single-occupancy vehicles by up to 30 percent by the year 2010 and to encourage greater use of alternative transportation, such as public transit, bicycles and walking.

*See Attachment A for more detailed extracts of the Master Plan.*

THURSTON COUNTY SPACE NEEDS STUDY REPORTS

This 18-month planning effort will produce seven reports, the last being a coordinated proposal on how best to house state government in Thurston County over the next 10 years.

The first five reports will gather together factual planning information produced by General Administration, other state agencies, local jurisdictions, developers and other stakeholders. *See Attachment B for Executive Summaries of the first three reports.*

Report #4 (May 2000) will include agency-specific planning information for the departments of Revenue, Employment Security, Labor and Industries, Natural Resources, Community Trade and Economic Development, the Attorney General, and the Administrator for the Courts. Report #4 will also provide additional facility cost information, a discussion about location and transportation demand management, and examples of how facilities affect service delivery and agency operations. Preliminary criteria for siting facilities and detail regarding our present facility planning and budgeting processes will also be covered.

Report #5 (July 2000) will complete the information-gathering phase of the 18-month project.

Report #6 (September 2000) will be a summary of the previous five reports and will include alternative approaches and policies to meet the 10-year facility needs in Thurston County. Interested stakeholders, state agencies and the general public will be asked to comment on and react to the alternatives developed for Report #6.

Report #7 (December 2000) will include a summary of findings, including stakeholder and public input, and a preferred alternative recommendation to meet the state's space needs through 2010.

*See Attachment C for a summary of report contents and completion schedules.*

PREFERRED DEVELOPMENT AREAS & PREFERRED LEASING AREAS

The 1991 Capitol Master Plan provided boundaries for state office development, which at that time was anticipated to be state-owned. These boundaries were called preferred development areas. The three local jurisdictions have now proposed changes to these preferred development areas and are asking the SCC for approval. It is anticipated that the SCC will act on this request at their June meeting. *See Attachment D for a map of the proposed changes to the preferred development areas.*

Since 1992, *lease* development has occurred outside the boundaries of the preferred development areas. The local jurisdictions have asked the SCC to establish, in addition to the preferred development areas, new boundaries that will be called preferred leasing areas. The cities have identified areas within their jurisdictions where they prefer state office leasing to occur. The Tumwater City Council took formal action to adopt their preferred leasing areas and the Lacey and Olympia city councils developed their new areas in council work sessions. *See Attachment E for a map of the preferred leasing areas that the local jurisdictions have proposed.*

## SCC Review and Approval Schedule for
## Preferred Development and Preferred Leasing Areas

| Date | Activity |
|---|---|
| April 17<br>***(Information)*** | ▪ Review Issues [1] ***(Information)***<br>1. Urban planning/location<br>2. Facility quality/standards<br>3. Plan implementation<br>▪ Panel Discussions [2] of issues, with emphasis on issue # 1 ***(Information)***<br>1. Local officials<br>2. Developers and lessors |
| June 12<br>***(Information & Action)*** | ▪ Discuss space needs ***(Information)***<br>▪ Act on Preferred Development Area changes ***(Action)***<br>▪ Act on Preferred Leasing Areas ***(Action)***<br>▪ Discuss budget, cost and planning criteria ***(Information)***<br>▪ Discuss facility policy development ***(Information)***<br>▪ Discuss siting new facilities ***(Information)***<br>▪ Discuss facilities procurement ***(Information)***<br>▪ Discuss initial 10-year "conceptual framework" ***(Information)*** |
| October 10<br>***(Information & Guidance)*** | ▪ Review 10-year plan alternatives in Report #6 ***(Information/Guidance)***<br>▪ Review public comments received to date ***(Information)*** |
| December 12<br><br>***(Action)*** | ▪ Review remaining public comments on Report #6 ***(Information)***<br>▪ Recommended preferred alternative to meet 10-year facility needs ***(Action)*** |

[1]Review Issues will consider the following questions:

1. How should the State site its facilities to best serve the public, allow agencies to operate as cost effectively as possible, and support community development?
2. To what quality standards should state owned and leased facilities be developed?
3. How should the State develop and implement its 10-year plan?

[2] Panel Discussions will include:

Local officials: city managers from Olympia, Lacey and Tumwater
Developers and lessors: four local developers and lessors

# Extracts from
# *The Master Plan for the Capitol of the State of Washington*

## The Vision

The 1991 Master Plan sets forth a 20-year guide to construction, expansion and acquisition of property on campus, in the Capital City of Olympia and in the Capital Community of Lacey and Tumwater. It calls for new thinking about transportation to and among state government's various branches. And it proposes models of consultation and cooperation among state and local governments in Thurston County to realize its environmental and urban design ideals.

This document extends to off-campus sites the quality standards, if not the specific design themes, of the 1911 Wilder and White plan to ensure that state facilities at satellite campuses will be distinctive buildings, attractive and easily recognizable, with an openness and accessibility reflecting the best traditions of the government of Washington.

### *Preferred Development Areas*

The Master Plan recognizes the parallel requirements for more office space and preservation of the open character of the Capitol Campus. It calls for new construction to be concentrated in three preferred development areas:

- The Capitol Campus
- Olympia, the Capital City
- Lacey and Tumwater, the Capital Community

To ensure that these centers of state government are functional, accessible and attractive, the Master Plan sets forth guidelines for construction, design and transportation systems.

Instead of relying on leased space simply because it is available, state agencies in the preferred development areas should be placed on sites specifically chosen to best serve their functions.

Buildings in the preferred development areas should not be carbon copies of the architectural style of the Capitol Campus but should nonetheless be distinctive, visually unified clusters clearly identifiable as centers of government.

## Capitol Campus Design

The integrity of the original campus plan is an important asset of the Capitol Campus and must be reinforced and maintained.

### *Urban Design Guidelines*

In general, the urban design guidelines preserve the park-like character, boundaries and heritage of the campus while accommodating the additional space needed for the legislative and government functions that must be located in or near the Legislative Building. These guidelines also relate the campus to the surrounding neighborhoods by establishing linkages and boundaries, as follows:

- Link the downtown and the campus
- Maintain the identity of the campus by defining the campus boundaries
- Cluster development related to freeway access on the eastern edge of the campus
- Locate facilities with potential community-related uses on the northern edge of the campus, with public transit and pedestrian convenience to downtown. Locate facilities with a lower expectation of public use on the southern boundary to minimize neighborhood impacts.

### *Building and Facility Guidelines*

New buildings on the West Campus should be constructed to complement the historic architectural character of the original Legislative Building grouping. New buildings on the East Campus should complement the monumentality of the West Campus, but in a manner that reflect the more modern style of architecture on the East Campus.

## Creating Satellite Campuses

A significant portion of the state's business is not suited for either the Capitol Campus or the urban setting of downtown Olympia. Satellite campuses in Tumwater and Lacey, therefore offer attractive alternative and specific virtues all their own. State government, according to the Master Plan, shall not impose itself upon these communities but live, work and interact with and alongside the communities and their people and enterprises.

Proposed new offices in Tumwater and Lacey are not conceived as islands of state government, but rather as fully-integrated sectors of these cities. They are intended to concentrate employees in a small area to support community services, such as retail, restaurants, banking, dependent care, pedestrian access and housing. They should encourage alternatives to single-occupancy vehicles, such as public transit. Satellite campuses should involve a mix of private, local and state government buildings to achieve a variety of land uses.

Satellite campuses in Tumwater and Lacey must be designed for 800,000 to 1 million square feet of development (4,000 to 5,000 state and private employees) to provide for efficient public transit and ridesharing alternatives and to support services as well as retail business. However, satellite campus development must not exceed these levels in order to meet regional growth management objectives.

The cities of Tumwater and Lacey have identified preferred development areas for new state offices. This Master Plan has been prepared in partnership with local government, and each of these cities has taken steps to integrate the Master Plan recommendations into their respective community plans. The satellite campus has been placed within each of these preferred development areas.

## Facility Development

### *State Employment*

From the 1990 base of 18,000, state employment in Thurston County was forecast to grow (in the year 2010) to:

- High = 27,500
- Mid = 23,900
- Low = 20,200

### *Sequencing Projects*

Any negative effects on local lease markets should be minimized by gradually reducing the amount of leased space occupied by the state. This is in step with the Master Plan's goal of reducing the proportion of leased properties to no more than 20 percent by 2010, a percentage based on the current national norm for state-owned and leased properties at state capitals.

### *Criteria for Locating New Development*

The question of which agencies must locate on the Capitol Campus or off-campus in Olympia, Tumwater or Lacey is an important one, and the following objectives must be considered:

- Supporting long-term agency growth
- Achieving goals for local land use, transportation, the environment and urban design.
- Maximizing long-term economic investments in land, infrastructure and development costs.
- Enhancing the public service functions of agencies

### *Developing a Leasing Strategy*

To improve leasing practices, the Department of General Administration committed to develop a strategy to evaluate current leasing procedures and propose needed legislative or funding changes. General Administration also was to gather information on the amount and condition of leased and owned facilities to identify needs and priorities.

Inadequate leased spaces will be replaced with leases in larger or more appropriate buildings.

***New Leases Must Maximize the State's Investment***

A new leasing strategy is needed to reduce the overall number of leases and limit the amount of inefficient space. Any long-term plan for leasing must be done at the same time as a plan for ownership, developed at four-to six-year increments and updated each biennium.

Leases should be written based on standards of the Building Owners and Managers Association (BOMA) to make sure they are compatible with current practices. Build-to-suit leases should be negotiated and signed before construction to allow for quality buildings constructed to state specifications. Property management responsibilities and levels of service must be defined in all leases.

Three levels of rating the performance of leased buildings must be developed by the state.

- First is the minimum level of performance required in any existing or newly leased building.
- Second is the level of quality for new buildings leased with 5- to 10-year terms.
- Third is the performance achieved on a long-term lease, or in buildings with are leased-purchased and the state chooses an ownership position.

## Transportation Management Program

In this master plan, the state recognizes an opportunity to craft an efficient, environmentally sound plan for transportation and parking in the capital region. Its goals are simple: to reduce the number of state employees using single-occupancy vehicles by up to 30 percent by the year 2010 and to encourage greater use of alternative transportation, such as public transit, bicycles and walking.

# Attachment B

## REPORT #1 – EXECUTIVE SUMMARY

State agencies, especially the largest, continue to become more fragmented. Almost all agencies want to consolidate in order to:

- Improve operating efficiency and effectiveness
- Improve service to the public
- Save or avoid costs
- Improve security

The 1999 Legislature directed the Department of General Administration to complete a Thurston County 10-year space-needs study by December 2000. It is one of five facility planning studies in process for Thurston County agencies:

- Thurston County 10-year Space Needs Study
- Legislative Building renovation
- Transportation agencies (DOT, WSP, DOL, CRAB, TIB and WTSC)
- Department of Social and Health Services and OB-2
- Department of Health

The Thurston County Space Needs Study will be organized into several sections:

- Analysis of the current situation
- Forecasting future space needs
- Updating facilities standards
- Analysis of state management of owned and leased facilities
- Planning new leased and owned facilities
- Conceptual facility management and development program

Each of the five projects listed above are separate and supported by a separate team and budget, yet draw on the work of other planning efforts. Planning participants include:

- Legislators
- Legislative staff
- OFM
- Local governments
- Developers and lessors
- Staff from all GA facilities divisions

## REPORT #2 – EXECUTIVE SUMMARY

A decision to acquire new leased or owned space or to move to another building is usually to improve customer service delivery or improve agency operations. Cost, location, space availability and timing are often the critical variables in this decision.

The State has three important ways to clarify and then optimize these variables.

**1. Budget and Life Cycle Cost Analysis:** The JLARC Lease versus Ownership Cost model developed jointly by the Joint Legislative Audit and Review Committee, private developers, lessors, GA, and OFM allows executive and legislative decision makers to understand the full range of budget and life cycle costs and benefits associated with a decision to either build, lease or buy a facility.

**2. Preferred Development Areas:** The 1991 State Capitol Master Plan defines preferred development areas in Olympia, Tumwater and Lacey where the State should develop its office facilities in order to distribute and best manage the impacts of State development, to achieve a sufficiently large concentration of State offices to simplify public service delivery and to support community development and public transportation.

**3. Parking Management:** Employee parking is often an expensive and limiting factor in siting state offices. An aggressive transportation demand management approach can sometimes dramatically reduce the amount of required parking and overall project cost. This report shares some tested ways others have done this.

Additional planning work has been done since September.

- Tools to estimate future space needs and staff growth are being developed.
- Office building performance and cost standards have been defined.
- Private and public ownership scenarios are presented.
- Different strategies to pay for increased new facility costs are offered.

In September, the Department of Health preliminarily concluded that they needed 232,000 to 238,000 square feet of consolidated office space to replace 253,000 square feet of space in eighteen leased office buildings. That space could be in one, two, or three buildings located at the same site. There may be as many as nine potential Master Plan-conforming sites in Downtown Olympia and Tumwater for this facility. A new Health facility will also provide some backfill opportunities for other agencies needing to co-locate.

Department of Health has continued to refine its analysis in preparation for a November 10th Supplemental Budget recommendation to the Governor. The current DOH Thurston County staff is 1,090, which is expected to grow by 2% to 1,111 by 2004. Year 2010 headcount is projected to increase by 2% per year, which would require a 261,000 square foot building by 2010. The possible options to meet the Department's needs have been reduced to a single building built at one time or in two phases with either a long term lease with option to purchase or as a traditional public works project.

The transportation agencies – Department of Transportation, State Patrol, Licensing, the County Road Administration Board, Transportation Improvement Board, and the Traffic Safety Commission – concluded that 350,000 square feet of space was needed to replace their thirty leased facilities. Their location options are State owned property on the Capitol Campus, near Ecology in Lacey, and south of Labor and Industries.

Additional analysis has increased the project size to 374,000 gross square feet. From 940 to 1635 new parking spaces will be required depending on which state-owned site the project is located.

Five agencies – Departments of Natural Resources, Fish and Wildlife, Agriculture, Ecology, and Labor and Industries – either totally or substantially consolidated their headquarters functions into a new facility in 1992 and 1993. Department of Retirement Systems consolidated their agency from 3 leased locations into a new leased building in 1999. Department of Retirement Systems' story of how this was done without a budget increase is described in Section IV of this report.

## REPORT #3 – EXECUTIVE SUMMARY

The Governor's December 16, 1999 Supplemental Budget requests authority for GA to procure a replacement leased facility for the Department of Health (DOH) by 2003 with an option to later purchase that office building. DOH estimates that the most cost effective consolidation approach for them is to lease develop a 261,500-square-foot facility in one phase. The Governor has requested a $400,000 capital-office building-planning appropriation to start this project in the spring of 2000. The project would be completed in 2003.

The legislature will be receiving two other reports in response to their 1999 session direction.

- In January, the Legislative Building Preservation and Renovation Commission will be identifying the need for additional space to accommodate infrastructure rehabilitation and public support space plus propose a new Capitol Addition.
- GA will be submitting a study report on a proposal to co-locate transportation funded agencies currently leasing space into a single large office building. Six development scenarios will be presented on three state-owned properties.

This report summarizes these three study efforts and lays the groundwork in the following six policy areas for decisions that the Legislature and the State Capitol Committee will make next year:

1. **How will the state's current and future budgets be affected by these projects?** Report #3 explains how the state's JLARC lease versus ownership model can be used to identify project, life cycle, and discounted life-cycle costs.
2. **Choosing between building to own and leasing**. A summary of the common reasons cited by private developers, building owners, and public officials about the advantages and disadvantages of owning and leasing is presented.
3. **Building to meet today's needs or building for the future.** This report begins an analysis of the growth in state employment over the next 10 years and the space implications of that growth. Much of the 10-year-lease and space program to be presented in December 2000 will be based on this forecast.
4. **Deciding where to locate state office buildings.** This report explores options for providing the best public service delivery, best support community development and regional transportation, optimize agency spending, and create the most investment value for the public. Refinements of the *Preferred Development Areas (PDAs)* in the 1991 Master Plan and local government-designated *Preferred Leasing Areas (PLAs)* are proposed. The location of state leases within these PDAs and PLAs is summarized.

5. **Agreeing on office building performance, space, transportation and cost standards for both state-owned and state-leased offices.** Report #3 builds on the standards initially proposed in Report #2.
6. **Coordinating state leasing decisions between state agencies and between executive and legislative branches.** A leasing policy framework for the Leasing Policy envisioned in the 1991 Master Plan, incorporating the previous 5 subjects, is being developed to present to the State Capitol Committee at their Spring 2000 meeting.

In 1999, several parts of the Thurston County 10-year plan will be accomplished:

- Defining what a 21st century state office should be, how it should perform (part of updating facility standards) and how much it should cost
- Producing three reports:

  Report 1. The following report on need, legislative direction, GA's planning approach and a preview of work being done by Department of Health and the transportation agencies.

  Report 2. A report targeted for early November to help OFM, the Governor and the Legislature more completely understand and make decisions about proposals to be submitted by the Department of Health and the transportation agencies.

  Report 3. Individual reports or requests to be submitted in early December by the departments of Health and Social and Health Services, the transportation agencies, and the Commission on Legislative Building Preservation and Renovation.

**Thurston County Space Study**
**State Capital Committee and Study Report Schedules**

## Report Schedule

| Report | Approximate Date | Content |
|---|---|---|
| 1 | September 1999 | Summarized Legislative direction; outlined GA's approach to the study; summarized previous studies; provided status report of DOH and DOT planning; provided factual information on facilities. |
| 2 | November 1999 | Described general approach to locating new offices; explained JLARC lease v. ownership model; summarized state law re: office procurement; summarized national research re: transportation management; presented Retirement Systems consolidation case study; proposed 21st century office specification with estimated cost; presented comparative space standards. Further DOT and DOH project information |
| 3 | December 1999 | Application of JLARC model; criteria for lease v. ownership decision; Thurston County employment forecast; discussion of preferred development and preferred leasing areas; further development of 21st century office building standard; leasing framework for coordinating between executive and legislative branches. Further DOT and DOH project information. |
| 4 | May 2000 | Future agency facility needs for another seven agencies; decision criteria for colocation, consolidation, cost, and budget; relationship of buildings to service delivery and agency operations; information on preferred development and preferred leasing areas. |
| 5 | July 2000 | Complete findings phase; begin to develop policy and management tools for study implementation. |
| 6 | September 2000 | Summarize reports one through five; outline alternatives to meet 10-year space needs; outline the public and stakeholder comment/participation process. |
| 7 | December 2000 | Summarize findings and make recommendations based on public and stakeholder input. |

**State Capitol Committee's Review and Approval Schedule**

| Date | Activity |
|---|---|
| April 17<br>***(Information)*** | Frame Issues ***(Information)***<br>1. Urban planning/location<br>2. Facility quality/standards<br>3. Plan implementation<br>Panel Discussions of Issues (with emphasis on issue # 1) ***(Information)***<br>1. Local officials<br>2. Developers |
| June 12<br>***(Information and Action)*** | Discuss space need ***(Information)***<br>***(Action)***<br>***(Action)***<br>***(Information)***<br>***(Information)***<br>***(Information)***<br>***(Information)***<br>***(Information)*** |
| October 10th<br>***(Information & Guidance)*** | Review 10 year plan alternatives (Report #6) ***(Information/Guidance)***<br>***(Information)*** |
| December 12<br>***(Action)*** | Review remaining public comments received about Report #6 ***(Information)***<br>needs ***(Action)*** |

# Appendix F: Correspondence from the Cities and the Public

The RANTS GROUP
Evergreen Olympic Properties, Inc.
Market Place Office Building
724 Columbia St. NW, Suite 200
Olympia, WA 98501
(360) 943-8060 Commercial
(360) 352-7666 Residential
(360) 943-9368 FAX
Website: www.rants-group.com
E-mail: info@rants-group.com

March 17, 2000

Grant Fredericks, Deputy Director
Department of General Administration
State of Washington
P.O. Box 41000
Olympia, WA 98504

Dear Grant:

Thanks for taking time from your busy schedule to address the Olympia Roundtable. We appreciated your presentation and your remarks were will received.

I'll share with you the two pieces of feedback that I received from Roundtable members. First, the state should raise the bar on quality so that we develop stronger, longer life buildings. This was addressed towards leased buildings, which you also commented on. Secondly, one member felt that both development and leasing areas should be further consolidated (ie. still too much proliferation of sites).

Grant, thanks again and it was good to see you again.

Very truly yours,

Ron

Ron Rants

RR/tgj

DREBICK
INVESTMENTS

REAL ESTATE
Ownership and Operations

February 17, 2000

Jennifer M. Belcher
Commission of Public Lands
Department of Natural Resources
State of Washington
PO Box 47001
Olympia, WA 98504-7001

Dear Ms. Belcher:

You are a member of and the Secretary for the State Capitol Committee. It is my understanding that you will meet on April 10, 2000 at 1:30 p.m. in the Senate Rules Committee room in the Legislative Building.

It is my understanding that some elements of the Capitol Master Plan will be discussed. I would like to attend that meeting and have in advance any information that will help me understand your discussion.

We own approximately 190,000 SF of state leased office space in the Evergreen Park PUD which adjoins the Capitol campus on the West.

I would hope that you can amend the Preferred Lease Area proposed by the City of Olympia to expand its requested "Preferred Lease Area" to include the Evergreen Park PUD (it is a designated zone and is mentioned in its Comprehensive Plan) which was created 30 years ago to allow offices, public buildings, and parking facilities among other uses. The PUD is basically built out with only one commercial lot undeveloped. The county court house is located there. It adjoins the Capitol Campus, has excellent freeway access. Is served by Intercity Transit Route 42, which shuttles between downtown and the Capitol Campus and can be ridden by State employees for free. Approximately 300,000 SF of office space is currently leased to the State with approximately another 100,000 SF, that when available will be eligible for state lease. Approximately 1,700 people work in these buildings and with easy access to the downtown services they will continue to contribute immensely to the vitality of the downtown.

I also hope you will be discussing how the Preferred Development Areas can be modified as time goes on and conditions change.

Sincerely,

John D. Drebick

belcher preferred lease area letter

2404 Chandler Court S.W., Suite 200 • Olympia, Washington 98502-6034
Phone (360) 943-4340 • Fax (360) 943-4347

Jennifer M. Belcher
Commissioner of Public Lands

March 7, 2000

John Drebick
Drebick Investments
2404 Chandler Court SW, Suite 200
Olympia, WA 98502-6034

Dear John:

Thanks for your letter about the Evergreen Park PUD and the upcoming State Capitol Committee meetings during which we'll be discussing the city's proposed "preferred leasing areas."

As you may know, I'm one of four members of the committee, with the others being the Governor, the Lieutenant Governor, and the Secretary of State. The committee approved the 1991 Master Plan for the Capitol, often referred to as the Capitol or Thurston County Master Plan. That plan designated "preferred development areas" where state government would concentrate the majority of its new office space. At the time the Master Plan was approved in 1991, most new offices were anticipated to be built and owned by the state.

Since the completion of the Labor and Industries, Natural Resources, and Ecology buildings in 1992 and 1993, the only new state offices have been privately developed outside of these preferred development areas and leased to the state. This prompted the committee, the local jurisdictions, and, most recently, the legislative fiscal committees to seek clarification of the state's intentions regarding the Master Plan-designated preferred development areas and the state's leasing policies.

The Department of General Administration briefed the State Capitol Committee last June and again in December on the joint planning the department had done with local governments on the preferred leasing areas. The department also briefed us on a legislatively-directed 10-year plan that's scheduled to be completed by

December 2000. Part of this plan will be leasing policies, including designation of preferred leasing areas, that the committee will be asked to formally incorporate into the Master Plan.

I haven't yet seen the committee's proposed April 2000 meeting agenda, but I understand from the Department of General Administration that leasing policies will be discussed and that interested parties, including lessors, will be invited to take part in the discussion. Actual leasing and other Master Plan-related decisions will not be made until the committee's June and October meetings. The 10-year plan is scheduled for formal committee action in December.

I appreciate your suggestions, offer of assistance to the committee, and helpful information about preferred leasing areas.

Sincerely,

**COMMISSIONER OF PUBLIC LANDS**
Commissioner of Public Lands

JMB/GF:cwp

c: Grant Fredricks, Department of General Administration

**DREBICK**
**INVESTMENTS**

REAL ESTATE
Ownership and Operations

April 17, 2000

State Capitol Committee
Olympia, WA

Thank you for allowing me to attend and testify. I would like to share with you the following:

1. Grant Fredricks of General Administration provided me with a list of the statue authority for your committee.

   I am unable to find where you have authority for controlling of leased properties. Perhaps someone can assist me in finding where that authority comes from?

2. My prime concern has to do with the 200,000 SF of state leased space that I own in the Evergreen Park which adjoins the Capitol Campus, west of Capitol Lake, which is not in the proposed lease area.

3. Olympia should expand its requested "Preferred Lease Area" to include the Evergreen Park PUD (it is a designated zone and is mentioned in its Comprehensive plan) which was created 30 years ago to allow offices, public building, and parking facilities among other uses. The PUD is basically built out with only one commercial lot undeveloped. The county court house is located there. It adjoins the Capitol Campus, has excellent freeway access. Is served by Intercity Transit Route 42, which shuttles between downtown and the Capitol Campus and can be ridden by state employees for free. Approximately 300,000 SF of office space is currently leased to the state with approximately another 100,000 SF, that when available will be eligible for state lease. Approximately 1700 people work in these buildings and with easy access to downtown services they will contribute immensely to the vitality of the downtown.

   In a report made by the City of Olympia in 1990, titled: "Future State Office Growth";
   An evaluation of anticipated state facility needs and Olympia's ability to accommodate them:

   Page 51 stated
   VII. <u>OLYMPIA'S CAPACITY TO ACCOMODATE FUTURE STATE OFFICES</u>

   "Given the State's need for future office facilities, there are three general locations for constructing new facilities in the Olympia area:

   1. Develop sites on the Capitol Campus, which are not fully utilized and could accommodate new office buildings.
   2. Develop mid-rise offices in downtown Olympia.
   3. <u>Develop satellite campus sites in suburban areas where large tracts of land are available.</u>

   In 1954 Supreme Court case Lemon vs. Langlie ruled that Olympia was "Seat of the Government".

   November 23, 1987 Ken Eikenberry, Attorney General opinion was issued at the request of Mary Faulk, Director of General Administration:

The Eikenberry opinion clarified "Seat of Government" meaning as follows:

"With these rules of construction in mind and recognizing the limited case law, we conclude that "at" as used in article 3, section 24 means "in, within, near or in close proximity".

What constitutes "near or in close proximity" is not a matter that can be precisely defined, so we cannot provide bright lines to guide you as the Director of General Administration in carrying out the statutory responsibilities set forth in chapter 43.82 RCW. We can think of no universal standard to be applied because each situation must be reviewed and decided on its own unique set of facts. In doing so, one must keep in mind the purpose behind article 3, section 24 – to provide a central, convenient location for state business, readily known and available to the public. If you make decisions securing office locations outside the 1890 corporate limits of Olympia, we believe you should consider at least the current means of transportation available to the public, parking availability, and the location proximity to other state agencies. We recognize that what is "near" is a function of accessibility for both public and state agencies, on to another. What would be considered "near" in 1987 is certainly much greater than it was in 1890 and, if trends continue, will be even greater in the next century.

*(Evergreen Park PUD complies with all criteria.)*

1990 CAPITOL MASTER PLAN

1. Created preferred development areas for state owned facilities only.
2. Leasing strategy should be devised to improve the cost effectiveness and manageability of the remaining leased property.

4. "Plan should be updated every six years.
   It also states:
   a) A local review process should be created, etc.
   b) Involve the public, inform the public, obtain public participation and determine public opinion.

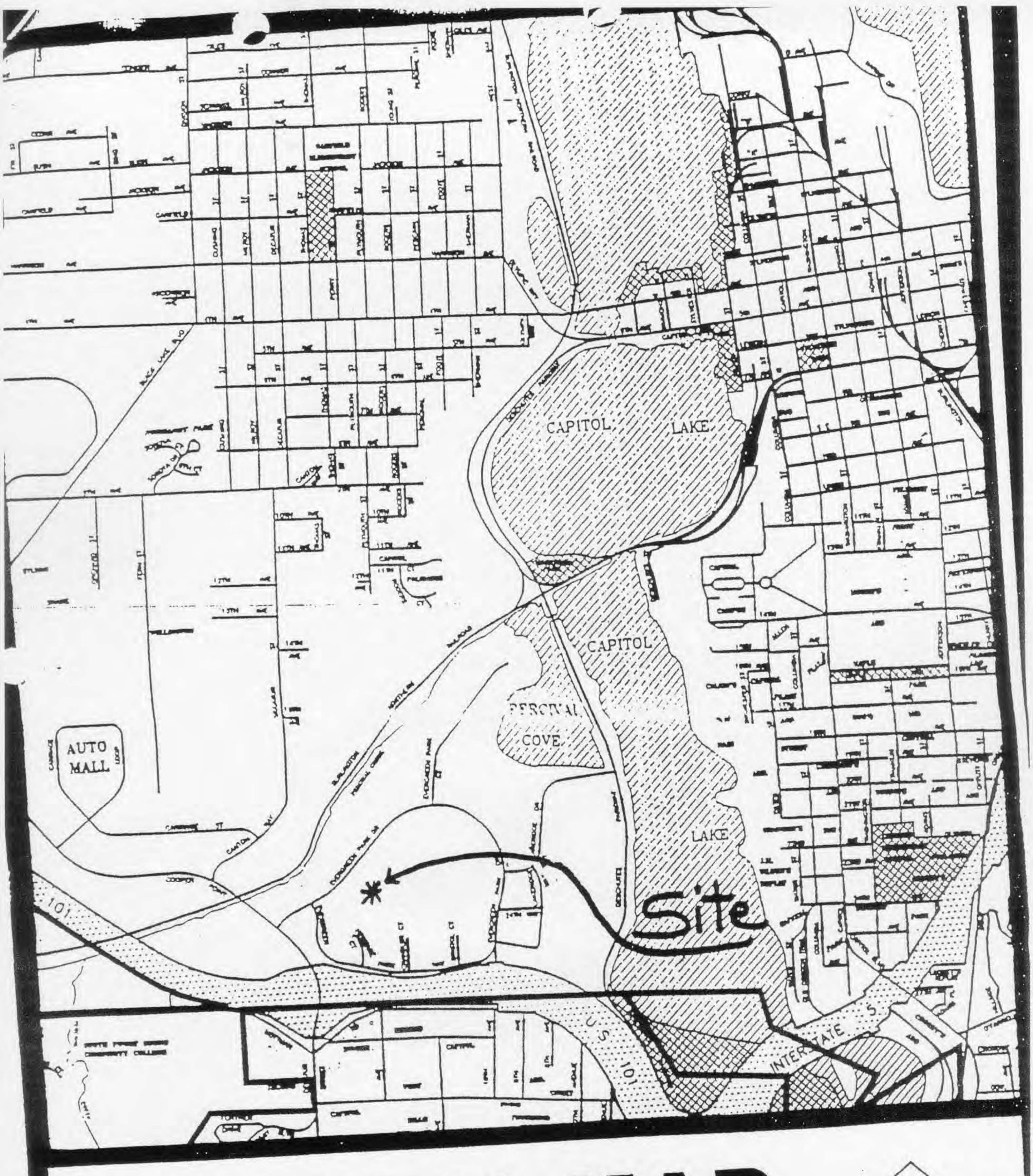
5. Develop a Leasing Strategy
   a) Conditions for leasing space.
   b) New leases must maximize the states investment.

I believe the above is good stuff and can be obtained without establishing any preferred lease areas. In the event you proceed please include Evergreen Park as a preferred lease area.

I will be available to work towards solution if you wish.

John D. Drebick

Enclosure Vicinity Map




# VICINITY MAP

north

SCALE: 1" = 2000'

CASE: RZ-1-93

90

STAFF REPORT ATTACHMENT D

Shaping
our community
together

CITY OF LACEY

POST OFFICE BOX 3400
LACEY, WA 98509-3400



February 28, 2000

Capital Development Company (CDC)
P.O. 3487
Lacey, WA 98509-3487

Subject: Leasing Retail Spaces to State Agencies

Dear Mr. Blume,

Recently, it has been indicated to City staff that Employment Security/DSHS have been looking into leasing your old office and the two shoe shop spaces. The purpose of this letter is to remind you that this is not a use that can be located in the CBD 3 zoning district. All types of State administrative offices are not allowed, and in fact, the Cities of Lacey, Olympia and Tumwater recently went through an exercise with General Administration and agreed that the State would avoid leasing retail spaces in our communities. This is not a new zoning prohibition, but rather a use that has not been allowed since the inception of that zoning district.

We have diligently been working to expedite the development of a significant portion of the South Sound Center site. Hopefully you will be successful in finding users for your old office site that will be of benefit to all your existing and future retail tenants.

With this letter, we wanted to make it clear that spending time and energy on State leases in this zone would not be productive. It seems that it would not be prudent for the State to lease property as valuable as your commercial site. Hopefully these are just rumors that we are hearing and that we can continue to make progress with the redevelopment of the site.

Sincerely,

Jerry Litt

Jerry Litt, Director
Community Development

C. Grant Fredericks, Department of General Administration
Carver Gayton, Director, Employment Security
Greg Cuoio, City Manager

# Appendix G: Letter from House Capital Budget Committee Co-chairs – Capital 5000 Building

State of
Washington
House of
Representatives

April 10, 2000

Lyle Quasim, Secretary
Department of Social and Health Services
OB-2, 4th Floor
Olympia, WA 98504-5010

Dear Mr. Quasim:

We are writing to you to express our concerns about the Department of Social and Health Services plans for a new major office building in Thurston County.

It has been brought to our attention that you intend to advertise for a new 75,000 square foot client services center as soon as possible. The new building would replace the existing leased Capital 5000 Building. GA has estimated that no existing space of the requested size is available in Thurston County and that the advertisement will cause a new office building to be constructed on a speculative basis.

In the last few years, state agencies have caused the construction of a number of privately owned office buildings in Thurston County. Local jurisdictions have expressed concern that this development is occurring in an unplanned fashion and is inconsistent with good urban planning principals. In response to this concern, the House Capital Budget Committee formed a Subcommittee on State Leasing Policy.

The Subcommittee recommended that the Department of General Administration develop a long-term state leasing policy. The policy is to include coordination of future state office space needs and identification of preferred leasing areas to promote public access, efficiency, community development, and growth management principles. The policy should also include transportation demand management strategies and consistent parking practices to improve the urban landscape of the host communities. The subcommittee further recommended that the Department of General Administration, on behalf of state agencies, not enter into lease agreements on buildings larger than 20,000 sq ft that are in the construction or planning stage of development without prior legislative approval and the lease must comply with the provisions of the state's lease policy.

The Capital Budget Committee has asked the Department of General Administration to report back during the 2001 legislative session on the development of the state lease policy. Until GA has adopted an acceptable strategic plan for leasing buildings in Thurston County, we encourage you not to contribute to the already uncoordinated development of state occupied facilities.

State of
Washington
House of
Representatives

If you have any questions or would like further clarification, please feel free to contact us.

Sincerely,

Representative Ed Murray
Co-Chair
Capital Budget Committee

Representative Gary Alexander
Co-Chair
Capital Budget Committee

CC: Marty Brown
Mike Roberts
Marsha Tadano Long
Grant Fredricks
John Reynolds

# Appendix H: Developer Meeting Materials (Meetings 1-8)
# Minutes of 10/4/99 Cost Sub-committee Meeting; Summary of 9/23/99 Cost Sub-Committee Meeting

Meeting #8 with Developers and Lessors

State Facility Planning in Thurston County

Room G-3, GA Building
11 AM, Wednesday, April 12, 2000

| | |
|---|---|
| Introductions & Preview of Meeting | Grant Fredricks |
| April 17th State Capitol Committee Meeting | Grant Fredricks |
| <u>Work Session Regarding Report #4</u><br><u>Of the Thurston County Lease and Space Plan</u> | Craig Donald |

1. Occupancy costs other than lease costs paid by tenants in leased facilities-especially focus on facilities operating costs and capital costs.
2. What costs should be considered when making decisions on moving or modifying facilities?
3. Factors that should be considered in locating new state facilities (leased or owned)
4. Conditions that would cause new facilities to be located in
   ⇒ Preferred Leasing Areas (if adopted by SCC)
   ⇒ Preferred Development Areas
5. Analysis of current leased facilities planning processes – Detail improvements
6. Review of potential and available lease space (p. 36-56 of Report #2 and p. 45 of Report #3) – make additions and deletions.
7. Changes that would improve how we budget for new leased space (e.g., not having surprise rate increase requests going to the Legislature)

Next Meeting – Wednesday, June 14th, 11-12

Meeting #7 with Developers and Lessors

State Facility Planning in Thurston County

Room G-3, GA Building
11 AM, Wednesday, March 8, 2000

| | |
|---|---|
| Introductions & Preview of Meeting | Grant Fredricks |
| Final Update on Legislative Activities | Grant and Bob Bippert |

- Department of Health
- Legislative building Rehabilitation
- SHB 2481 Amending 43.82.010 (10)
- Transportation Agencies Building

| | |
|---|---|
| April State Capitol Committee Meeting | Grant |
| GA Thurston County Lease and Space Planning Work Plan | Craig Donald |

- Report #4 (Publish May 1st)
- Reports #5-7

| | |
|---|---|
| Discussion on How Developers Will Be Included in Future GA Planning Activities | All |

Next Meeting – Wednesday, April 12th, 11-12

Meeting #6 with Developers and Lessors

State Facility Planning in Thurston County

Room G-3, GA Building
11 AM, Wednesday, February 9, 2000

| | |
|---|---|
| Introductions & Preview of Meeting | Grant Fredricks |
| February 14th DRES Customer Advisory Meeting | Bob Bippert |
| Respond to Questions on GA Report #3 | Grant Fredricks |
| Update on Legislative Activities | Grant Fredricks |

- Dept of Health
- Transportation Agencies
- Legislative Building Rehabilitation
- SHB 2481 Amending RCW 43.81.010(10)
- Leasing Q & A Paper

| | |
|---|---|
| Update on GBOLA Activities | GBOLA |

- Position on DOH Proposal
- Legislative Session Objectives

| | |
|---|---|
| GA Work Plan | Grant Fredricks |

January-March

Reports 4-7

| | |
|---|---|
| Discussion on How Developers Will Be Included in Future GA Planning Activities | All |

Next Meeting – Wednesday, March 8th, 11-12

Meeting #5 with Developers and Lessors

State Facility Planning in Thurston County

Room G-3, GA Building
11 AM, Wednesday, January 12, 2000

| | |
|---|---|
| Introductions | |
| Preview of Meeting | Grant Fredricks |
| Respond to Question on GA Report #3 | Grant Fredricks |
| Update on Legislative Activities | Grant Fredricks |
| ▪ Dept of Health | |
| ▪ Transportation Agencies | |
| ▪ Legislative Building Rehabilitation | |
| Update on GBOLA Activities | GBOLA |
| GA Work Plan | Grant Fredricks |
| January-March | |
| Reports 4-7 | |
| Discussion on How Developers Will Be Included in GA Planning Activities | All |

Meeting #4 with Developers and Lessors

State Facility Planning in Thurston County

Room G-3, GA Building
9 AM, Thursday, December 8, 1999

| | |
|---|---|
| Self Introductions | |
| Preview of Meeting | Grant Fredricks |
| GBOLA update since October 28th | Pat Rants |
| State update since October 28th | Grant Fredricks |
| 12/2/99 House Capital Budget Committee Report on Leasing | GA/GBOLA |
| Transportation Agencies Co-location Project Update | GA/DOT |
| Dept of Health | Suzette Frederick, DOH |
| Use of Transportation Demand Management To Reduce Parking and Project Cost | Grant Fredricks/Ron Niemi (DOT) |
| GA report #3 – 12/17/99 | Grant Fredricks |
| General Discussion | All |

Meeting #3 with Developers and Lessors

State Facility Planning in Thurston County

Room G-3, GA Building
9 AM, Thursday, October 28, 1999

| | |
|---|---|
| Self Introductions | |
| Preview of Meeting | Grant Fredricks |
| GBOLA update since September 2nd | Pat Rants |
| State update since September 2nd | Grant Fredricks |
| Cost Sub-Committee Update and Discussion of JLARC Model | Craig Donald/GBOLA |
| One Step v. Two Step Procurement | Pat Rants |
| Use of Transportation Demand Management To Reduce Parking and Project Cost | Grant Fredricks/Michael Van Gelder |
| Conceptual State Ownership Scenarios | Grant Fredricks |
| Transportation agencies | Marziah Kiehn/NBBJ |
| Dept of Health | Dwayne Harkness |
| Potential Sites for DOH and Transportation | Bob Bippert |
| Conceptual Backfill Scenarios for DOH and Transportation | Kirstan Arestad |
| Transportation and DOH Conformity to Master Plan | Grant Fredricks |
| GA report #2 – 11/10/99 | Grant Fredricks |
| 11/8 House Capital Budget Sub-Committee Meeting | Bob Bippert |
| General Discussion | All |

Meeting #2 with Developers and Lessors

State Facility Planning in Thurston County

Room G-3, GA Building
9 AM, Thursday, September 2nd, 1999

| | |
|---|---|
| Self Introductions | |
| Preview of Meeting | Grant Fredricks |
| GBOLA update since July 29th | Pat Rants |
| State update since July 29th | Grant Fredricks |
| Work plan status | Grant Fredricks/Craig Donald |
| August 19 work session at NBBJ | Bill Sanford |
| Briefing on On-Going Planning Studies | |
| Dept of Health | Dwayne Harkness/BCRA |
| DOT/WSP/DOL | Marziah Kiehn/NBBJ |
| GA Report #1 – 9/10/99 | Grant Fredricks |
| 9/15 House Capital Budget tour | Bob Bippert |
| General discussion | All |

*Adjourn at noon.*

Meeting with Developers and Lessors

State Facility Planning in Thurston County

Room G-3, GA Building
9 AM, Thursday, July 29, 1999

| | |
|---|---|
| Introductions | |
| Preview of Meeting | Grant Fredricks |
| Review of Legislative Direction | Grant Fredricks |
| Discussion of Developers and Lessors Expectations | Mark Gjurasic |
| Explanation of GA Work Plan | Grant Fredricks |
| Briefing on On-Going Planning Studies | |
| Dept of Health | Dwayne Harkness |
| DOT/WSP/DOL | Marziah Kiehn |
| DSHS | Craig Donald |
| Work Products for 1999 | Grant Fredricks |
| Discussion on How Developers Will Be Included in GA Planning Activities | All |

~~Description of Afternoon House Capital Budget~~
~~Leasing Sub-Committee Tour~~ ~~Kirstan Arestad~~
*(Tour Cancelled – Agenda Item deleted)*

**Summary of Cost Subcommittee Meeting**
**September 23, 1999**

**1 – Review of GA Report # 1**

Report issued September 17th. Copies mailed September 21st. Reviewed sections of report. Questions regarding categorization of costs on p. 25. Attendees were encouraged to read the report and bring questions to the next meeting or e-mail them to Craig Donald at cdonald@ga.wa.gov. Marziah will provide copy of Heery reports on NRB and L&I Buildings to NBBJ.

Cost of land - The question asked was whether we should be looking at the cost of acquisition or on the present value of the land. The group agreed that land would be viewed as money; an opportunity cost. Furthermore, it was suggested that the most recent land sales figures be applied to the sites such as Tumwater.

**2 – Dialog regarding the lease development cost of the 21st Century Building**

*Hard costs* of lease developed and state built building of this size/scope should be the same, especially for larger projects (the same may not hold true for smaller projects). There will be a difference in the *soft costs* – where the soft costs are less for a lease developer. GBOLA will try to provide information on the differences in soft cost. Assuming the same 21st century building concept were applied to DOT and DOH, then the *hard costs* of building a structure of approximately the same size should be close to the same (except for *programmatic differences*).

The 21st century development specification should result in a higher lease rate than more recent rental rates. The consultants will not be able to detail the increments of cost in the 21st century building that will cause the overall cost to be greater (this was not part of their scope of work). The general elements of what makes for the cost differentials would be identified. The consultants won't assign a specific cost for each element.

For a lease development there might be an interest rate advantage for the developer to have a longer-term lease. There might be some relative lease rate advantage for the 21st Century building if it will meet longer-term data and information infrastructure needs.

**3 – Future trends in office leasing cost in Thurston County**

There is 300,000 square feet of development going on in Thurston County right now. Real estate taxes have experienced a recent major jump, but should continue to use a more conservative lease rate escalation factor over the long-term. It was noted that there had been a recent creep in Thurston County lease rates. It was mentioned that part of the cause may be due in part to market saturation/new development as well as a sympathetic rise effect from lease rate increases in the King County market.

Feedback indicated an interest in identifying sound urban development and density issues which support ongoing development of local communities. Need to address issues like density and impact of office building development on the local communities.

## 4 - What tools should OFM and the Legislature use to evaluate building and financing alternatives…

Should take into account social values, good sound urban design, benefits to agency of consolidation, and benefits to the public. What should the buildings be like – should it be 400,000 sf or a series of 50,000 sf buildings? Where should buildings be? What is the impact on traffic? What should the buildings be like? What is the impact on the operating budget of the building? What is the impact on employees and the public of the alternatives?

The *status quo* (as used in the JLARC model) was questioned. Should the rate reflect: 1) how things are now; 2) how they would be if the agency was in comparable space to the alternative (comparing only the financing alternatives); how they will become if they continue to lease (don't build or lease develop) but upgrade the inadequate spaces over time. Some people noted that we ought to change our terminology from *status quo* to *do not consolidate* since the status quo may not be maintained.

The Legislature and OFM need to know in advance when there will be an operating impact (e.g., moving costs, and increased rents) to a building decision.

The JLARC model is one factor to be used by decision-makers in deciding about facilities options. It was stated that the model should not be viewed as a pass/fail decision making tool, but rather one of several decision making tools. Some noted that the model is a own v. lease decision making tool. It was noted that the JLARC model was in esscence the same as the life cycle cost analysis required by OFM's design manual. Everyone agreed that the integrity of the model should be retained.

There needs to be a listing of other criteria that will be used to evaluate facilities options. Proposers then need to follow the checklist and answer the questions for the decision-makers.

A COP hearing is scheduled for October that might change the way that financing option is applied

Initiative 695 will lower real property taxes because automobiles will be added to the tax rolls and this broadens the base.

The Legislature has looked at an internal rent structure to make capital funded space have a more market based cost thus equalizing agency decision making on financing and ownership of buildings.

COP's using capitalized interest (as used for the Ecology financing) are not a good idea because it added costs that couldn't be sustained by Ecology's operating budget downstream.

The next meeting (scheduled for 1 hour) will be Monday, October 4th in the GA Director's Conference Room at 8 a.m. The conference room is in Room 200 GA Building.

**Minutes of October 4, 1999 Cost Sub-committee Meeting**

The Thurston County Space Planning Cost Sub-committee met Monday, October 4th. The following were the agenda items and general results of the discussion at that meeting:

**How much should we assume land will cost in Tumwater and Olympia?**

There was a recent (one year ago) sale in Tumwater of 10 acres at $1,250,000. However, there were houses and possible hazardous waste on the site.
There was a comment that Point Plaza West property would be about $6.00 per sf today and that Evergreen Park would be about $5 per sf.
There was a comment that Downtown Olympia would be somewhere between $15-$20 per sf. One recent desperation sale was for $1,500,000 for 130,000 sf.
There was a comment that on the Westside of Olympia land was going at $5 per sf and on the far Eastside (around Boone Ford area) property was probably about $4-$5 per sf.

**What are the differences in soft costs between private development and state development?**

One private development project had a soft cost of $28 per sf.
Another private development had a construction budget of $5.5 million and a non-construction budget of $1.1 million including the following categories in the $1.1 million:
- Architectural, design and engineering
- Permits and mitigation
- Storm water
- Sewer
- Survey
- Loans and interest
- Appraisal
- Insurance
- Title Ins.
- Legal Costs
- Inspections
- A soft cost contingency

**What are the likely mitigation costs by jurisdiction?**

Primarily depends on the site and the jurisdiction. For our known sites we should cost out the mitigation needed - that will provide the best estimate. We need to include the costs of parking in our analysis.

**What are the differences in cost between a pure lease and a lease with an option to purchase?**

There is no difference in the per sf lease cost. But the acquisition cost of the building should be factored in to the life cycle cost analysis where a lease purchase is anticipated. Given past practice of the state most owners don't think the state will acquire the building when there is an acquisition clause. There was some comment that the state practice of calculating the purchase price based on ten times the rental rate wasn't good practice. It was stated that the state wasn't using that form for the last two years. It was noted that developers want to have paid off loans before an acquisition takes place especially if there are "penalty clauses" in the loan papers.

There was a general comment regarding Report #1 not being complete. It was stated that future reports would address issues such as backfilling and space needs forecasts. Report #2 is scheduled for publication in early November. The next meeting of the whole Thurston County Planning group is October 28th. We didn't schedule the next meeting of the cost subcommittee at this time. The next meeting will probably be in November.

## Cost Issues to Address
## In Future Reports

1. Direct Costs v. Indirect Costs
2. Direct Costs v. Substitution Costs
3. Cost Payment v. Net Cost Payment
4. Costs to State Government v. Costs to All Governments v. Costs to Citizens
5. Passed-on Costs v. Absorbed Costs
6. Actual Costs v. Opportunity Costs
7. Actual Costs v. Planned Costs
8. Actual Costs v. Deferred Costs
9. Actual Costs v. Exposed Costs
10. Sunk Costs/Realized Benefits v. Present/Future Costs & Benefits
11. State Benefit v. Interactive Benefit
12. Building v. Alternative
13. BOMA Rentable sf

**Thurston County Leasing Study**
**AFRS Objects of Expenditure**
**Available for Facility Cost Analysis**
**(State Chart of Accounts)**

| | | | |
|---|---|---|---|
| **A** | | | **SALARIES AND WAGES** |
| | **AA** | | **State Classified** |
| | **AC** | | **State Exempt** |
| | **AE** | | **State Special** |
| | **AJ** | | **State Other** |
| | **AS** | | **Sick Leave Buy-Out** |
| | **AT** | | **Terminal Leave** |
| | **AU** | | **Overtime and Call-Back** |
| **B** | | | **EMPLOYEE BENEFITS** |
| | **BA** | | **Old Age, Survivors, and Disability Insurance** |
| | **BB** | | **Retirement and Pensions** |
| | **BC** | | **Medical Aid and Industrial Insurance** |
| | **BD** | | **Health, Life, and Disability Insurance** |
| | **BE** | | **Allowances** |
| | **BF** | | **Unemployment Compensation** |
| | **BH** | | **Hospital Insurance (Medicare)** |
| | **BT** | | **Shared Leave Provided-Sick Leave** |
| | **BU** | | **Shared Leave Provided-Personal Holiday** |
| | **BV** | | **Shared Leave Provided-Annual Leave** |
| | **BW** | | **Shared Leave Received** |
| | **BZ** | | **Other Employee Benefits** |
| **C** | | | **PERSONAL SERVICE CONTRACTS** |
| | **CA** | | **Management and Organizational Services** |
| | **CB** | | **Legal and Expert Witness Services** |
| | **CC** | | **Financial Services** |
| | **CD** | | **Computer and Information Services** |
| | **CF** | | **Technical Research Services** |
| | **CG** | | **Marketing Services** |
| | **CH** | | **Communication Services** |
| | **CJ** | | **Employee Training Services** |
| | **CK** | | **Recruiting Services** |
| | **CZ** | | **Other Personal Services** |
| **E** | | | **GOODS AND SERVICES** |
| | **EA** | | **Supplies and Materials** |
| | | 0001 | Office Supplies |
| | | 0004 | Janitorial |
| | **EB** | | **Communications** |
| | | 0001 | Telephone, Telegraph |
| | | 0002 | Postage |
| | | 0003 | Radio System |
| | | 0004 | Parcel Service (CMS) |
| | | 0005 | Presort Service (CMS) |
| | **EC** | | **Utilities** |
| | | 0001 | Garbage |
| | | 0002 | Water |
| | | 0003 | Sewer |
| | **ED** | | **Rentals and Leases** |
| | | 0001 | Space Rental |

| | | | |
|---|---|---|---|
| | | 0002 | Equipment Rentals |
| | **EE** | | **Repairs, Alterations, and Maintenance** |
| | | 0001 | Furniture and Equipment |
| | | 0002 | Buildings |
| | | 0003 | Elevator Maintenance/Repair |
| | | 0004 | Grounds |
| | **EK** | | **Facilities and Services** |
| | **EL** | | **Data Processing Services** |
| | **EP** | | **Insurance** |
| | **ER** | | **Purchased Services** |
| | | 0001 | WSP Contracts |
| | | 0002 | Fire Protection |
| | | 0003 | Janitorial Services |
| | | 0004 | Shuttle Bus |
| | | 0006 | Thurston Co. Planning Council |
| | | 0008 | Carpet Cleaning (for DPD use) |
| | | 0040 | Owner Project Mgmt |
| | | 0041 | DCF Reimbursable Work - Labor |
| | | 0042 | DCF Reimbursable Work - Materials |
| | **ES** | | **Vehicle Maintenance and Operating Costs** |
| | **EU** | | **State Owned and/or Leased Facility Energy Costs** |
| | **EW** | | **Archives and Records Management Services** |
| | **EZ** | | **Other Goods and Services** |
| | | 0001 | Freight |
| | | 0002 | Tax Expenses |
| **G** | | | **TRAVEL** |
| | **GC** | | **Private Automobile Mileage** |
| | **GN** | | **Motor Pool Services** |
| **J** | | | **CAPITAL OUTLAYS** |
| | **JE** | | **Land** |
| | **JF** | | **Buildings** |
| | | 0001 | DCF Reimbursable Work - Labor |
| | | 0002 | DCF Reimbursable Work - Materials |
| | **JH** | | **Improvements Other Than Buildings** |
| | **JJ** | | **Grounds Development** |
| | **JK** | | **Architectural and Engineering Services** |
| | | 0001 | Basic Services |
| | | 0002 | Change Order Fees |
| | | 0003 | Extra Services |
| | **JL** | | **Capital Planning** |
| | **JN** | | **Relocation Costs** |
| | **JZ** | | **Other Capital Outlays** |
| | | 0002 | E&AS Project Mgmt |
| | | 0003 | DCF Work Requests |
| | | 0004 | In-Plant Services |
| **P** | | | **DEBT SERVICE** |
| | **PA** | | **Principal** |
| | **PB** | | **Interest** |
| | **PC** | | **Other Debt Services** |
| | **PD** | | **Principal-OST Lease/Purchase Agreements** |
| | **PE** | | **Interest-OST Lease/Purchase Agreements** |
| | **PF** | | **Amortization of Gain/Loss on Bond Funding** |

| | | | |
|---|---|---|---|
| **S** | | | **INTERAGENCY REIMBURSEMENTS** |
| | **SJ** | | **Capital Outlays** |
| | **SP** | | **Debt Service** |
| **T** | | | **INTRA-AGENCY REIMBURSEMENTS** |
| | **TA** | | **Salaries and Wages** |
| | | 0009 | EAS/FO-Bothell Reimbursement |
| | | 0042 | Division Indirect (between EAS/FES/Energy-PI 91200) |
| | **TB** | | **Employee Benefits** |
| | | 0009 | EAS/FO-Bothell Reimbursement |
| | | 0042 | Division Indirect (between EAS/FES/Energy-PI 91200) |
| | **TC** | | **Personal Service Contracts** |
| | | 0042 | Division Indirect (between EAS/FES/Energy-PI 91200) |
| | **TE** | | **Goods and Services** |
| | | 0001 | Graphics |
| | | 0005 | Agency Indirect Expenditure |
| | | 0006 | Information Services Projects |
| | | 0007 | Owner Project Management |
| | | 0008 | EAS Interagency Agreement |
| | | 0009 | EAS/FO-Bothell Reimbursement |
| | | 0042 | Division Indirect (between EAS/FES/Energy-PI 91200) |
| | **TG** | | **Travel** |
| | | 0042 | Division Indirect (between EAS/FES/Energy-PI 91200) |
| | **TJ** | | **Capital Outlays** |
| | | 0001 | Communications Reimbursable (Capital Projects) |
| | | 0004 | In Plant-Auto/CAD |
| | | 0007 | Project Management Reimbursement |
| | **TK** | | **Noncapitalized Fixed Asset** |
| | **TP** | | **Debt Service** |
| **W** | | | **DEPRECIATION, AMORTIZATION, AND BAD DEBTS** |
| | **WA** | | **Depreciation Expense** |
| | **WD** | | **Change in Capitalization Policy** |

# Appendix I: Retrospective Look at Lease Renewal Rates, Spokane Leases

**Retrospective Look at Lease Renewal Rates**
**Spokane Leases**
**Used for Life Cycle Analysis 5/24/1995**

***LBC Cleaned List***

| Lease Number | Square Feet | Old Rate | Old Term | New Rate | New Term | % Rate Inc. | Annually Compounded Rate Increase |
|---|---|---|---|---|---|---|---|
| | | | | | | | |
| 5893/6842 | 220 | $10.65 | 10 | $11.15 | 5 | 4.69% | 0.46% |
| 5932 | 2,207 | $11.00 | 5 | $13.00 | 5 | 18.18% | 3.41% |
| 6130 | 40,126 | $9.70 | 5 | $13.00 | 5 | 34.02% | 6.04% |
| 6214 | 6,866 | $9.80 | 5 | $14.00 | 5 | 42.86% | 7.40% |
| 6632 | 2,700 | $11.20 | 5 | $14.20 | 5 | 26.79% | 4.85% |
| 6228 | 14,094 | $10.25 | 5 | $10.25 | 5 | 0.00% | 0.00% |
| | | | | | | | |
| **Total** | **66,213** | **$9.94** | | **$12.56** | | **26.43%** | **4.79%** |

***GA Prepared List***
***Original List Less Non Renewed Leases***

| Lease Number | Square Feet | Old Rate | Old Term | New Rate | New Term | % Rate Inc. | Annually Compounded Rate Increase |
|---|---|---|---|---|---|---|---|
| | | | | | | | |
| 5893/6842 | 220 | $10.65 | 10 | $11.15 | 5 | 4.69% | 0.46% |
| 5932 | 2,207 | $11.00 | 5 | $13.00 | 5 | 18.18% | 3.41% |
| 6130 | 2,050 | $9.70 | 5 | $13.00 | 5 | 34.02% | 6.04% |
| 6214 | 6,866 | $9.80 | 5 | $14.00 | 5 | 42.86% | 7.40% |
| 6632 | 2,700 | $11.20 | 5 | $14.20 | 5 | 26.79% | 4.85% |
| 6228 | 14,094 | $10.25 | 5 | $10.25 | 5 | 0.00% | 0.00% |
| 6445 | 3,663 | $11.90 | 5 | $14.05 | 5 | 18.07% | 3.40% |
| 6669 | 12,020 | $12.10 | 5 | $16.00 | 5 | 32.23% | 5.75% |
| 6339 | 27,909 | $12.45 | 5 | $14.06 | 5 | 12.93% | 2.46% |
| *6721* | *2,987* | *$11.71* | *5* | *$16.00* | *10* | *Excluded since renewed for 10 yrs. - Not comparable* | |
| 6092 | 19,836 | $10.07 | 5 | $12.25 | 5 | 21.65% | 4.00% |
| 6278 | 1,888 | $11.25 | 5 | $12.50 | 5 | 11.11% | 2.15% |
| | | | | | | | |
| **Total** | **93,453** | **$11.19** | | **$13.26** | | **18.50%** | **3.45%** |

*Average Annual Inflation Rate (IPD) During Period in Question Equals Approximately 2.45%*

Lease Renewals During this Period Exceeded Inflation by Approximately 1.0% - Current JLARC Assumpition is Lease Renewal are .2% below Inflation a difference of 1.2%.

# Appendix J: DOH Presentation to Senate Ways and Means Committee; Costs for DOH Smaller Building; Revised JLARC per GBOLA/GA Work

# Department *of* Health Building Consolidation Effort

**Establishing foundations for the government of tomorrow**


**Mary Selecky, Secretary**
**Washington State Department of Health**


**FEBRUARY 2000**

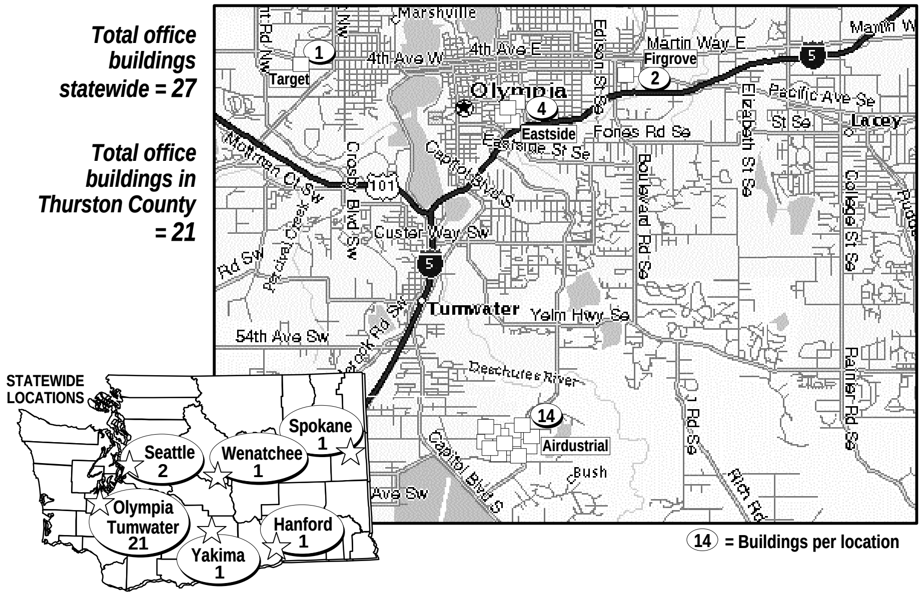
**"*I*t is the policy of the state to encourage the colocation and consolidation of state services into single or adjacent facilities, whenever appropriate, to improve public service delivery, minimize duplication of facilities, increase efficiency of operations, and promote sound growth management planning."**

**— RCW43.82.010**

# An Agency Occupying 21 Buildings in Thurston County

***Total office buildings statewide = 27***

***Total office buildings in Thurston County = 21***



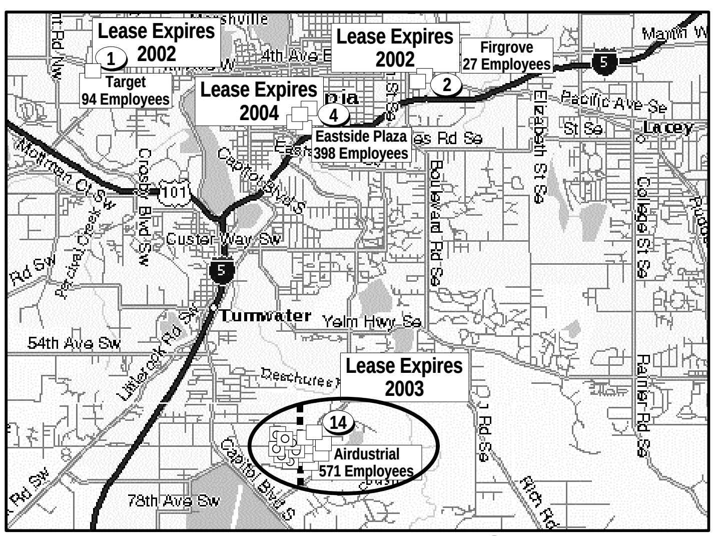

(14) = Buildings per location



# All of DOH's Thurston County Leases Expire by 2004

***In 2003, when current leases expire, planning for replacement space for 30% of DOH's Thurston County offices needs to be completed.***

***Program dependencies in adjacent buildings would require that DOH plan for 50% of the agency by 2003***

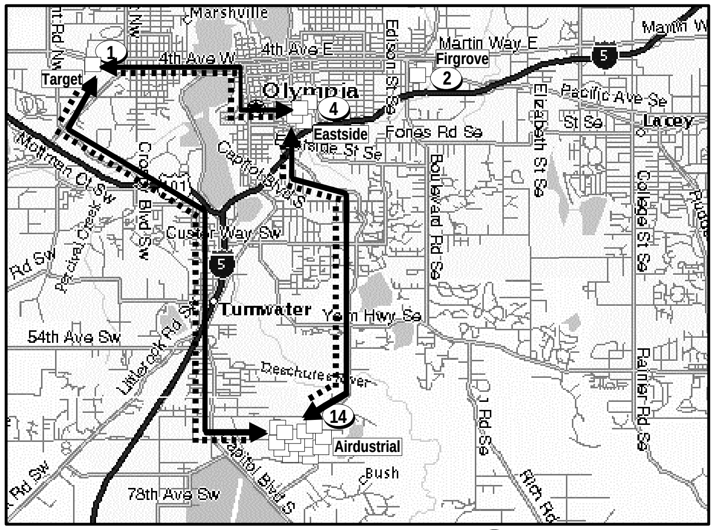



(14) = Buildings per location

## Customer Service is Affected by All These Locations

***Providers must now visit Eastside Plaza for professional licenses and Target Center for facility licenses***

***DOH has no central service center to meet public requests for licenses, birth or death certificates***



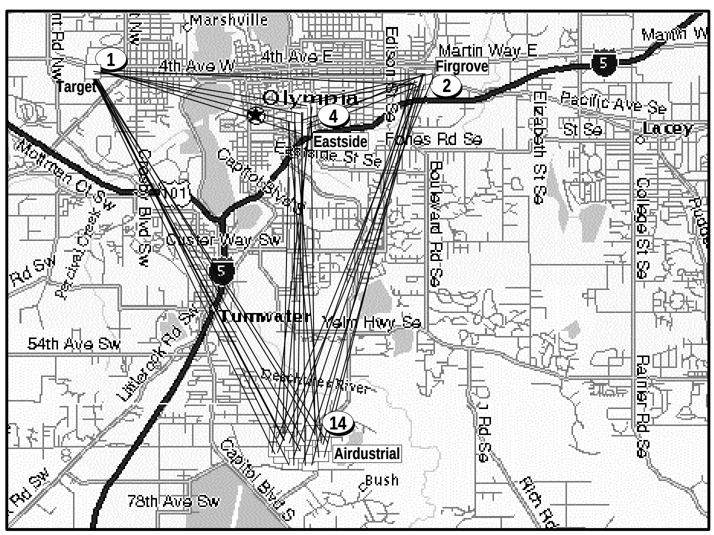

(14) = Buildings per location

WASHINGTON STATE DEPARTMENT OF HEALTH 4 FEBRUARY 2000

## Time Spent Traveling Between Buildings is Wasted

***Employees move daily between buildings to conduct routine business, meet with staff, move equipment and information***

***Estimated time spent traveling between buildings annually is — at a minimum — 4,600 hours***




(14) = Buildings per location

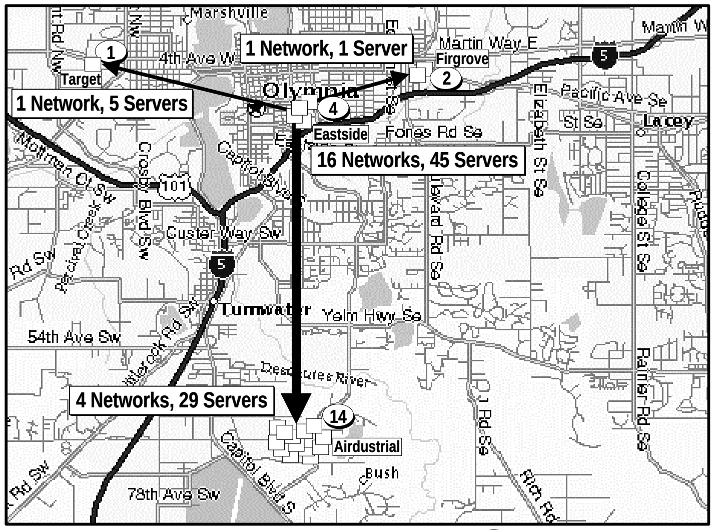
WASHINGTON STATE DEPARTMENT OF HEALTH 5 FEBRUARY 2000

## Maintaining 22 Networks and 80 Servers Countywide is Costly

***DOH maintains 28 computer networks and 97 servers statewide***

***22 networks and 80 servers are in Thurston County***

***Server types include: File and Print, Data, Application, and Web Servers***



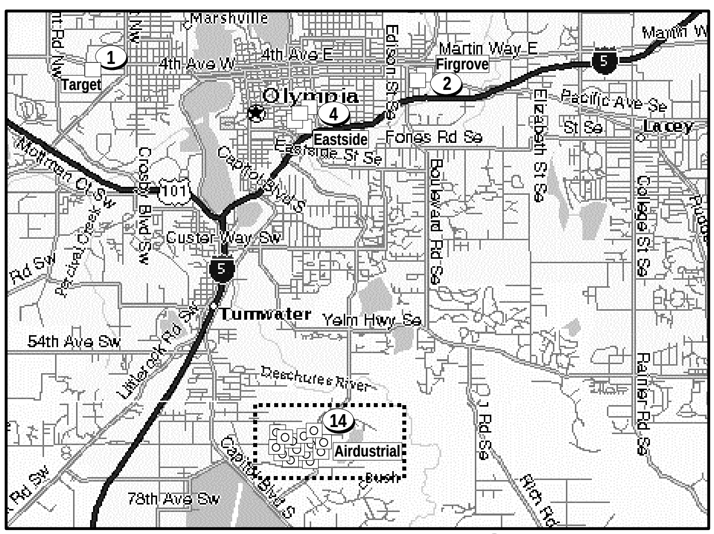

(14) = Buildings per location



## Most of the Buildings Do Not Meet Program Needs

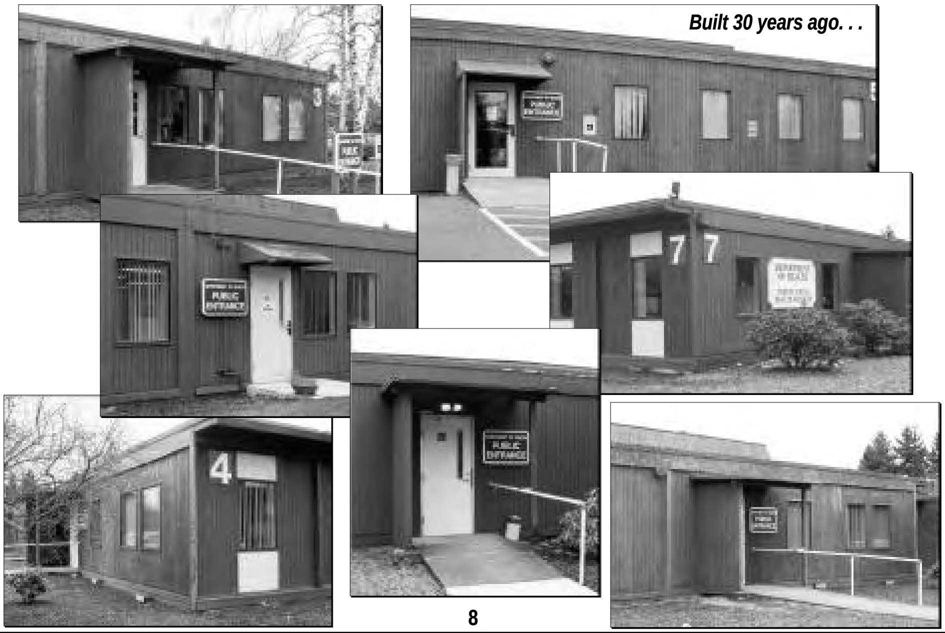
***30% of the space was constructed for temporary purposes 30 years ago and remodeled in the 1980s***

***Most buildings no longer meet program needs or provide for effective operations.***




(14) = Buildings per location

# These Buildings No Longer Meet DOH Program Needs




8

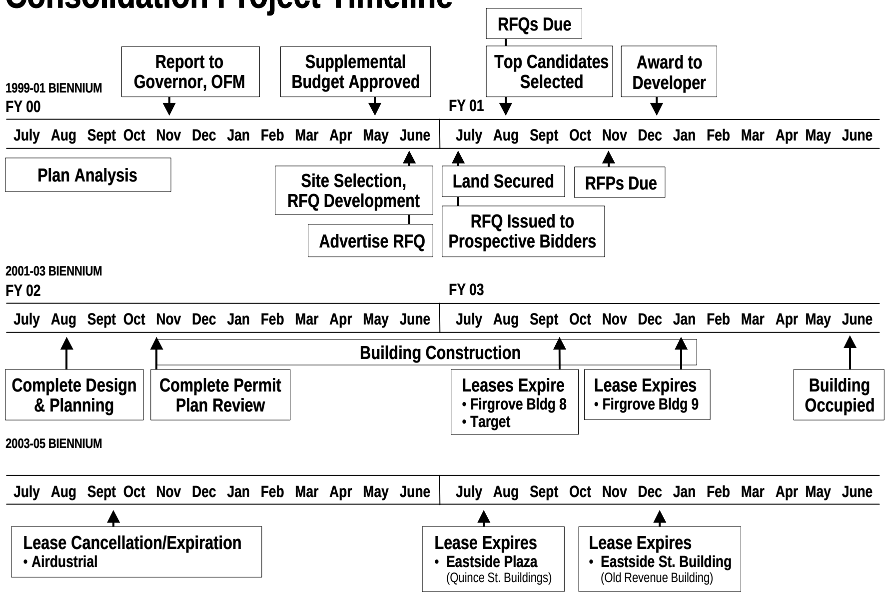
# Nor Do They Provide for Effective and Efficient Operations

***Seven adjacent buildings also no longer meet program needs***

***Leases allow us to vacate these buildings in 2003 when other leases expire***

***Together these 14 buildings house over half the agency's Thurston County employees, 571 individuals***

## Consolidation Project Timeline





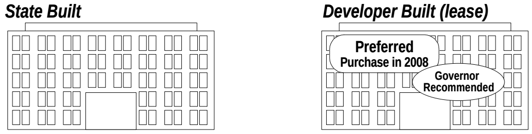

## Planning Assumptions

- **Staffing held to 2 percent growth over five years beginning in 1999, then**
  - ***Historic growth rate = 2 percent per year***
- **Implementation of a document management system to include an aggressive retention and storage commitment, compact shelving and**
- **Private office spaces will be within the General Administration standard *(10 percent of staff)***
- **Cubicles will be the standard of 8 feet x 8 feet, utilizing modular system**
- **Centralized functions will be consolidated:**
  - ***Information technology, PBX, security systems, stock rooms, supplies***
  - ***Reception services, public access areas, conference, training, copy rooms***
- **A modest, efficient, cost-effective (not monumental) building**

# Building Options

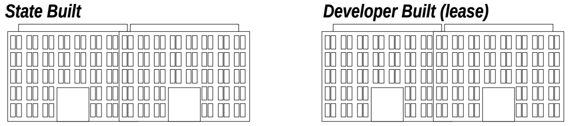
## 1. A single, 261,500 square foot building (Occupancy = 2003)

*State Built* | *Developer Built (lease)*

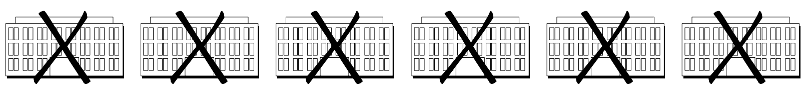



## 2. A single building, built in two phases (Occupancy = 2003, 2004)

*State Built* | *Developer Built (lease)*



## 3. Multiple buildings, one location

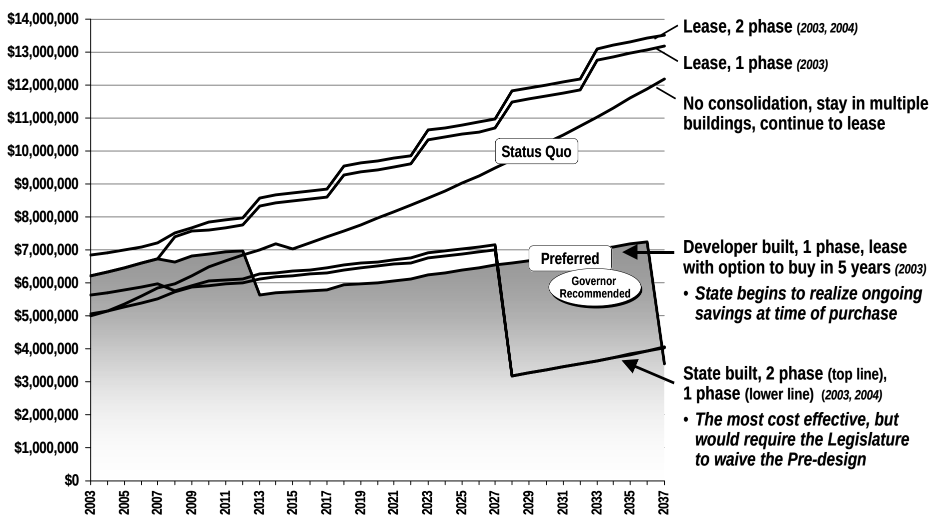


** The lease development options allow the state the option to purchase later if the legislature decides. Building would be financed with a Certificate of Participation.*



# Annual Building-Related Cost Comparisons*

**State Built Vs Developer Built (Single Phase, Two Phase)**




SOURCE: Department of General Administration. Status quo assumes typical government lease rates for Thurston County.
* Costs reflect operating expenses for lease, custodial, utilities, management fees and interest payments. Does not include one-time moving costs or furnishings.

# Department of Health Preferred Option

**Proceed with a single building, single phase, developer built option and**

**(2008)**

- **Improves customer service**
- **Accommodates the agency's need to move by 2003**
- **Avoids cost overhead of additional leases, utilities, line costs and relocation between Phase 1 and Phase 2 scenarios**
- **Provides a quality, modest, but serviceable building, and meets state**
- **Has no impact on state debt limit**
- **Results in inherent work efficiencies achieved by a single headquarters**

## Spreadsheet for DOH Building Costs

| Description | Category | Old Cost | New Cost | |
|---|---|---|---|---|
| | | **232000** | **139200** | |
| ***Site Work*** | | | 392040 | |
| Site Clearing | G10 | 21,000 | 18,041 | |
| Grading | G10 | 100,000 | 83,560 | |
| Erosion Control | G10 | 10,000 | 10,000 | |
| Parking Signage | G20 | 9,000 | 8,600 | |
| Pavement | G20 | 845,000 | 620,570 | |
| Curbing | G20 | 108,000 | 79,200 | |
| Landscape Areas | G20 | 35,000 | 25,375 | |
| Turf Installation | G20 | 5,000 | 4,500 | |
| Turf Maintenance | G20 | 4,000 | 4,000 | |
| Plant Material | G20 | 113,000 | 101,750 | |
| Plant Material Maintenance | G20 | 16,000 | 16,000 | |
| Onsite Fencing | G20 | 47,000 | 41,400 | |
| Screen Walls | G20 | 61,000 | 61,000 | |
| Storm Water System | G30 | 140,000 | 135,000 | |
| Sewer | G30 | 35,000 | 35,000 | |
| Domestic Water | G30 | 7,000 | 7,000 | |
| Fire Protection | G30 | 123,000 | 123,000 | |
| Irrigation | G30 | 76,000 | 69,000 | |
| Onsite Lighting | G50 | 50,000 | 50,000 | |
| Onsite Power | G50 | 110,000 | 110,000 | |
| Site Fixtures | G60 | 19,000 | 19,000 | |
| Boat Structure | G60 | 95,000 | 95,000 | |
| Outdoor Structures | G60 | 170,000 | 170,000 | |
| **Sub Total** | | **2,199,000** | **1,886,996** | |
| Contractor overhead @ 15% | | | 283,049 | |
| ***Total Site Costs*** | | | **2,170,045** | |
| | | | | |
| ***Facility*** | **Sq. Ft. =** | **232,000** | **139,200** | + 15% OH |
| Foundation | A10 | 153,000 | 153,000 | 175,950 |
| Substructure | A20 | 145,000 | 145,000 | 166,750 |
| Floor Structure | B10 | 2,654,000 | 1,633,200 | 1,878,180 |
| Lateral System | B10 | 238,000 | 145,200 | 166,980 |
| Exterior Walls | B20 | 1,308,000 | 800,000 | 920,000 |
| Windows and Exterior Entrances | B20 | 485,000 | 323,000 | 371,450 |
| Roof Structure | B30 | 523,000 | 523,000 | 601,450 |
| Roofing | B30 | 392,000 | 392,000 | 450,800 |
| Equipment and Specialties | C10 | 802,000 | 481,200 | 553,380 |
| Interior Systems and Finishes | C10 | 2,443,000 | 1,465,800 | 1,685,670 |
| Sound Making System | C10 | 116,000 | 69,600 | 80,040 |
| Elevators | D10 | 200,000 | 160,000 | 184,000 |
| Plumbing System | D20 | 820,000 | 534,000 | 614,100 |
| HVAC System | D30 | 4,582,000 | 2,749,200 | 3,161,580 |
| Fire Protection | D40 | 472,000 | 286,400 | 329,360 |
| Fire Alarm System | D40 | 290,000 | 174,000 | 200,100 |
| Lighting | D50 | 1,260,000 | 796,000 | 915,400 |
| Power | D50 | 1,128,000 | 756,800 | 870,320 |
| Cable Tray System | D50 | 116,000 | 69,600 | 80,040 |
| Closed Circuit TV | D50 | 10,600 | 10,600 | 12,190 |
| Visual System | D50 | 50,000 | 50,000 | 57,500 |
| Voice/Data Systems | D50 | 348,000 | 208,800 | 240,120 |
| Paging System | D50 | 23,200 | 13,920 | 16,008 |
| Access Control System | F10 | 174,000 | 130,500 | 150,075 |
| Security System | F10 | 81,200 | 60,900 | 70,035 |
| **Systems Subtotal** | | **18,814,000** | **12,131,720** | 13,951,478 |

| Agency | Contact | Project Name | Project Number | | | |
|---|---|---|---|---|---|---|
| ____________ | ____________ | **Smaller Building Scenario** | | | | |
| **Assumptions** | | | | | | |
| ***Base Assumptions*** | | | **Value in Base Year $'s** | | | |
| | ***Facility & Amortization Assumptions (See "Acquistion Cost" Form For Additional Devel. Costs)*** | | | | | |
| | | Land Value | $0 | Hard Coded On | | |
| | | Building Value | $0 | Consolidated Sheet | | |
| | | Depreciable Life of Building | 0 | From Other Sheet | | |
| | | Building's Rentable Square Feet | o | Hard Coded | | |
| | | Base Year | 2004 | | | |
| | | Number of Years For Analysis | 30 | | | |
| | ***Operating Cost Assumptions (Use Rentable Square Feet)*** | | | | | |
| | | Utilities (Per Square Foot) | $ - | Hard Coded On | | |
| | | Custodial (Per Square Foot) | $ - | Consolidated Sheet | | |
| | | Maintenance (Per Square Foot) | $ - | From Other Sheet | | |
| | | Security (Per Square Foot) | $ - | | | |
| | | Property Tax Rate (per $1,000 of AV) | $ - | | | |
| | | Insurance | $ - | | | |
| | | Parking Costs (Per Square Foot) | $ - | | | |
| | | Tenant Improvements (Per Square Foot) | $ - | | | |
| | | Capital Replacement Reserve (Per Square Foot) | $ - | | | |
| | | Management Fees (Per Square Foot) | $ - | | | |
| | | Other Oper. Costs-Acquistion (Per Square Foot) | $ - | | | |
| | | Other Oper. Costs-Status Quo (Per Square Foot) | $ - | | | |
| | ***Space Assumptions*** | | | | | |
| | | Square Footage Allowance per FTE | - | | | |
| | | Other Total Space Allowances in Building | - | Hard Coded | | |
| | | Vacancy Rate on Underutilized Space | 0.00% | | | |
| | | Base Number of FTE | 0 | | | |
| | ***Financing & Revenue Assumptions*** | | | | | |
| | | Interest Rate (Percentage) | 0.00% | Hard Coded On | | |
| | | Cost of Financing (Percentage) | 0.00% | Consolidated Sheet | | |
| | | Years Financed | 0 | From Other Sheet | | |
| | | Discount Rate | 7.00% | | | |
| | | Present Lease Cost (Per Square Foot) | $0.00 | Hard Coded | | |
| | | Base rent from underutilized space | $0.00 | | | |
| | ***Moving, Equipment & Other One-Time Expenses*** | | | | | |
| | | | Value | | | |
| | | Moving Expenses (Per FTE) | $0.00 | | | |
| | | Furniture (Per FTE) | $0.00 | | | |
| | | Telephone (Per FTE) | $0.00 | | | |
| | | Data Processing (Per FTE) | $0.00 | | | |
| | | Other Equipment (Per FTE) | $0.00 | | | |
| | | | Value | Year | | |
| | | Moving Expenses (Added to Per FTE-Total) | $0.00 | | | |
| | | Furniture (Added to Per FTE-Total) | $0.00 | | | |
| | | Telephone (Added to Per FTE-Total) | $0.00 | | | |
| | | Data Processing (Added to Per FTE-Total) | $0.00 | | | |
| | | Other Equipment (Added to Per FTE-Total) | $0.00 | | | |
| ***Inflation Assumptions*** | | | | | | |
| | ***Facility & Amortization Assumptions*** | | | | | |
| | | Land Value | 0.00% | | | |
| | | Building Value | 0.00% | | | |
| | ***Opeerating Cost Assumptions*** | | | | | |
| | | Utilities | 0.00% | Hard Coded On | | |

| | | |
|---|---|---|
| Custodial | 0.00% | Consolidated Sheet |
| Maintenance | 0.00% | From Other Sheet |
| Security | 0.00% | |
| Taxes | 0.00% | |
| Insurance | 0.00% | |
| Parking | 0.00% | |
| Tenant Improvements | 0.00% | |
| Capital Replacement Reserve | 0.00% | |
| Management Fees | 0.00% | |
| Other Oper. Costs-Acquisition | 0.00% | |
| Other Oper. Costs-Status Quo | 0.00% | |
| ***Space Assumptions*** | | |
| Square Footage Growth per FTE | 0.00% | |
| Other Total Space Growth in Building | 0.00% | |
| Growth in FTE | 0.00% | |
| ***Financing & Revenue Assumptions*** | | |
| Present Lease Costs | 0.00% | Hard Coded |
| Increase in rents from other tenants | 0.00% | |
| ***Moving, Equipment & Other One-Time Expenses*** | | |
| Moving Expenses (Per FTE) | 0.00% | |
| Furniture (Per FTE) | 0.00% | |
| Telephone (Per FTE) | 0.00% | |
| Data Processing (Per FTE) | 0.00% | |
| Other Equipment (Per FTE) | 0.00% | |
| Moving Expenses (Added to Per FTE-Total) | 0.00% | |
| Furniture (Added to Per FTE-Total) | 0.00% | |
| Telephone (Added to Per FTE-Total) | 0.00% | |
| Data Processing (Added to Per FTE-Total) | 0.00% | |
| Other Equipment (Added to Per FTE-Total) | 0.00% | |

## *Cash Flow & Net Present Value Analysis*

| | | |
|---|---|---|
| **Cash Flow-Status Quo** | $142,486,724 | |
| **Net Present Value-Status Quo** | $61,146,684 | |
| **Square Foot Rate (Net Present Value)** | | |
| **Cash Flow-New Proposal** | | |
| Operating Costs | $33,841,671 | |
| Amortization Costs | $55,429,439 | |
| Moving & Equipment | $2,331,999 | |
| Residual Value | ($41,989,249) | |
| Revenue from Underutilized Space | $0 | |
| Repair & Replacement | $9,121,744 | |
| ***Total Cash Flow-New Proposal*** | $58,735,604 | |
| **Net Present Value-New Prosal** | | |
| Operating Costs | $10,265,765 | |
| Amortization Costs | $18,422,182 | |
| Moving & Equipment | $2,179,438 | |
| Residual Value | ($5,516,007) | |
| Revenue from Underutilized Space | $0 | |
| Repair & Replacement | $2,767,052 | |

| | | | | | | |
|---|---|---|---|---|---|---|
| | | ***Net Present Value of New Proposal*** | $28,118,430 | | | |
| | | | | | | |
| | **Square Foot Rate - Net Cost/SF (Net Present Value)** | | | | | |
| | **Square Foot Rate - Per Square Foot Available (Net Present Value)** | | | | | |
| | | | | | | |
| | **Totals of 5 Year Lease + Acquisition after 5 Years** | | | | | |
| | | | | | | |
| | | ***Total Cash Flow-Combined*** | **$201,222,328** | | | |
| | | ***Net Present Value of Combined*** | **$89,265,114** | | | |

| Agency | Contact | Project Name | Project Number | | | |
|---|---|---|---|---|---|---|
| ____________ | ____________ | **Combined Lease Purchase Lease for 5 Years then Purchase - Profit & Furniture Calc. Different** | | | | |
| **Assumptions** | | | | | | |
| | | | | | | |
| ***Base Assumptions*** | | | **Value in Base Year $'s** | | | |
| | | | | | | |
| | ***Facility & Amortization Assumptions (See "Acquistion Cost" Form For Additional Devel. Costs)*** | | | | | |
| | | | | | | |
| | | Land Value | $0 | Hard Coded On | | |
| | | Building Value | $0 | Consolidated Sheet | | |
| | | Depreciable Life of Building | 0 | From Other Sheet | | |
| | | Building's Rentable Square Feet | 243,190 | | | |
| | | Base Year | 2003 | | | |
| | | Number of Years For Analysis | 30 | | | |
| | | | | | | |
| | ***Operating Cost Assumptions (Use Rentable Square Feet)*** | | | | | |
| | | | | | | |
| | | Utilities (Per Square Foot) | $ - | Hard Coded On | | |
| | | Custodial (Per Square Foot) | $ - | Consolidated Sheet | | |
| | | Maintenance (Per Square Foot) | $ - | From Other Sheet | | |
| | | Security (Per Square Foot) | $ - | | | |
| | | Property Tax Rate (per $1,000 of AV) | $ - | | | |
| | | Insurance | $ - | | | |
| | | Parking Costs (Per Square Foot) | $ - | | | |
| | | Tenant Improvements (Per Square Foot) | $ - | | | |
| | | Capital Replacement Reserve (Per Square Foot) | $ - | | | |
| | | Management Fees (Per Square Foot) | $ - | | | |
| | | Other Oper. Costs-Acquistion (Per Square Foot) | $ - | | | |
| | | Other Oper. Costs-Status Quo (Per Square Foot) | $ - | | | |
| | | | | | | |
| | ***Space Assumptions*** | | | | | |
| | | | | | | |
| | | Square Footage Allowance per FTE | 194 | | | |
| | | Other Total Space Allowances in Building | - | | | |
| | | Vacancy Rate on Underutilized Space | 0.00% | | | |
| | | Base Number of FTE | 1107 | | | |
| | | | | | | |
| | ***Financing & Revenue Assumptions*** | | | | | |
| | | | | | | |
| | | Interest Rate (Percentage) | 0.00% | Hard Coded On | | |
| | | Cost of Financing (Percentage) | 0.00% | Consolidated Sheet | | |
| | | Years Financed | 0 | From Other Sheet | | |
| | | Discount Rate | 7.00% | | | |
| | | Present Lease Cost (Per Square Foot) | $26.88 | Avg 5 yr rate | | |
| | | Base rent from underutilized space | $19.25 | | | |
| | | | | | | |
| | ***Moving, Equipment & Other One-Time Expenses*** | | | | | |
| | | | Value | | | |
| | | Moving Expenses (Per FTE) | $0.00 | | | |
| | | Furniture (Per FTE) | $2,162.59 | | | |
| | | Telephone (Per FTE) | $0.00 | | | |
| | | Data Processing (Per FTE) | $906.48 | | | |
| | | Other Equipment (Per FTE) | $0.00 | | | |
| | | | | | | |
| | | | Value | Year | | |
| | | Moving Expenses (Added to Per FTE-Total) | $0.00 | | | |
| | | Furniture (Added to Per FTE-Total) | $0.00 | | | |
| | | Telephone (Added to Per FTE-Total) | $0.00 | | | |
| | | Data Processing (Added to Per FTE-Total) | $0.00 | | | |
| | | Other Equipment (Added to Per FTE-Total) | $0.00 | | | |
| | | | | | | |
| | | | | | | |
| ***Inflation Assumptions*** | | | | | | |
| | | | | | | |
| | ***Facility & Amortization Assumptions*** | | | | | |
| | | | | | | |
| | | Land Value | 0.00% | | | |
| | | Building Value | 0.00% | | | |
| | | | | | | |
| | ***Opeerating Cost Assumptions*** | | | | | |
| | | | | | | |
| | | Utilities | 0.00% | Hard Coded On | | |

| | | | | | |
|---|---|---|---|---|---|
| | Custodial | 0.00% | Consolidated Sheet | | |
| | Maintenance | 0.00% | From Other Sheet | | |
| | Security | 0.00% | | | |
| | Taxes | 0.00% | | | |
| | Insurance | 0.00% | | | |
| | Parking | 0.00% | | | |
| | Tenant Improvements | 0.00% | | | |
| | Capital Replacement Reserve | 0.00% | | | |
| | Management Fees | 0.00% | | | |
| | Other Oper. Costs-Acquisition | 0.00% | | | |
| | Other Oper. Costs-Status Quo | 2.70% | | | |
| ***Space Assumptions*** | | | | | |
| | Square Footage Growth per FTE | 0.00% | | | |
| | Other Total Space Growth in Building | 0.00% | | | |
| | Growth in FTE | 2.00% | to 1251 in 2010 | | |
| ***Financing & Revenue Assumptions*** | | | | | |
| | Present Lease Costs | 2.50% | | | |
| | Increase in rents from other tenants | 2.50% | | | |
| ***Moving, Equipment & Other One-Time Expenses*** | | | | | |
| | Moving Expenses (Per FTE) | 0.00% | | | |
| | Furniture (Per FTE) | 0.00% | | | |
| | Telephone (Per FTE) | 0.00% | | | |
| | Data Processing (Per FTE) | 0.00% | | | |
| | Other Equipment (Per FTE) | 0.00% | | | |
| | Moving Expenses (Added to Per FTE-Total) | 0.00% | | | |
| | Furniture (Added to Per FTE-Total) | 0.00% | | | |
| | Telephone (Added to Per FTE-Total) | 0.00% | | | |
| | Data Processing (Added to Per FTE-Total) | 0.00% | | | |
| | Other Equipment (Added to Per FTE-Total) | 0.00% | | | |

## *Cash Flow & Net Present Value Analysis*

| | | | | | |
|---|---|---|---|---|---|
| **Cash Flow-Status Quo** | | $32,694,464 | - | | |
| **Net Present Value-Status Quo** | | $26,784,245 | | | |
| **Square Foot Rate (Net Present Value)** | | | | | |
| **Cash Flow-New Proposal** | | | | | |
| | Operating Costs | $60,437,798 | | | |
| | Amortization Costs | $96,842,081 | | | |
| | Moving & Equipment | $3,766,939 | | | |
| | Residual Value | ($69,689,709) | | | |
| | Revenue from Underutilized Space | ($2,061,814) | | | |
| | Repair & Replacement | $16,666,364 | | | |
| | ***Total Cash Flow-New Proposal*** | $106,012,737 | | | |
| **Net Present Value-New Prosal** | | | | | |
| | | | - | | |
| | Operating Costs | $18,333,616 | | | |
| | Amortization Costs | $32,185,829 | | | |
| | Moving & Equipment | $3,455,440 | | | |
| | Residual Value | ($9,154,936) | | | |
| | Revenue from Underutilized Space | ($1,712,700) | | | |
| | Repair & Replacement | $5,055,689 | | | |

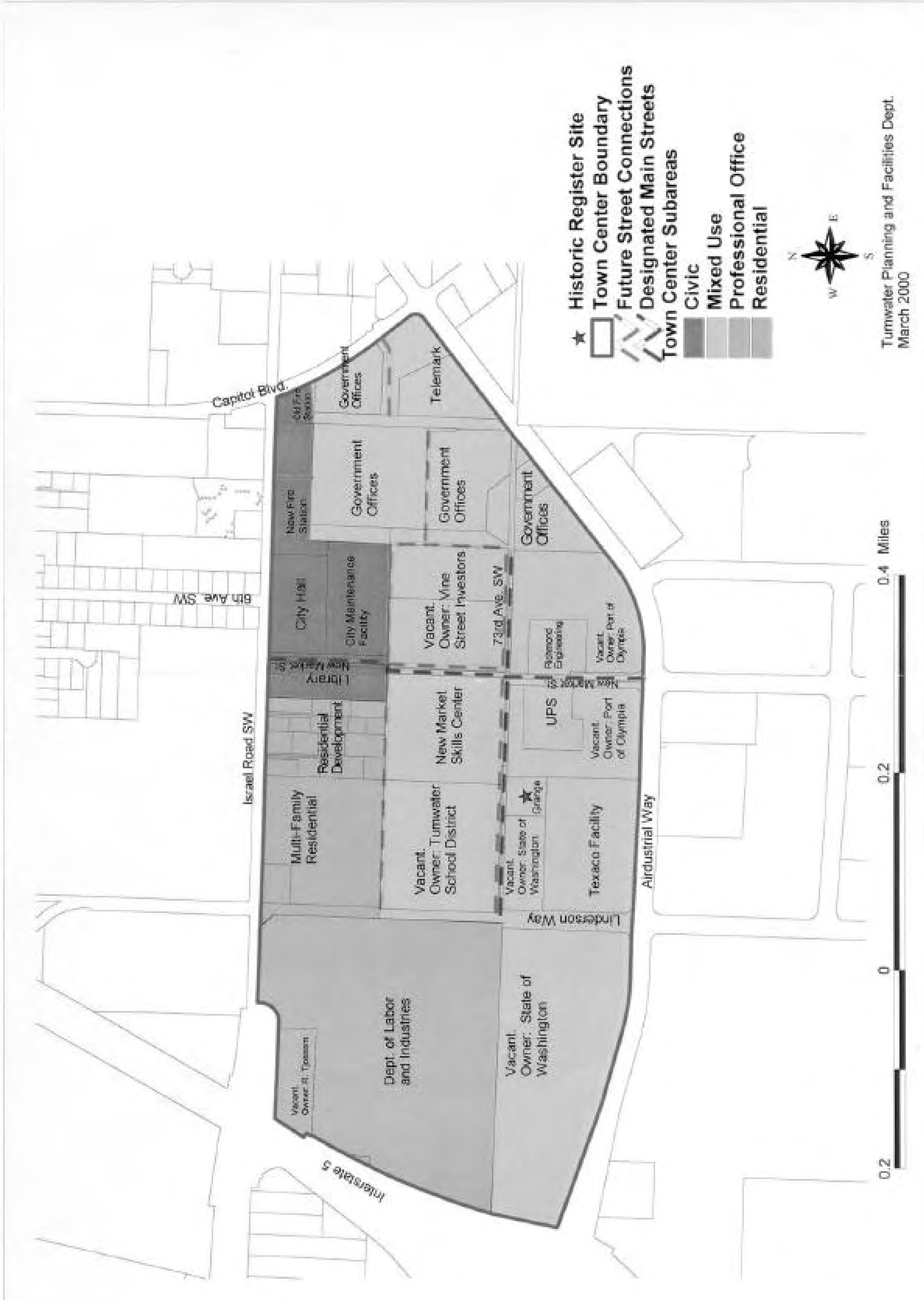
| | | | | | | |
|---|---|---|---|---|---|---|
| | | ***Net Present Value of New Proposal*** | $48,196,768 | | | |
| | | | | | | |
| | **Square Foot Rate - Net Cost/SF (Net Present Value)** | | | | | |
| | **Square Foot Rate - Per Square Foot Available (Net Present Value)** | | | | | |
| | | | | | | |
| | **Totals of 5 Year Lease + Acquisition after 5 Years** | | | | | |
| | | | | | | |
| | | ***Total Cash Flow-Combined*** | **$138,707,201** | | | |
| | | ***Net Present Value of Combined*** | **$74,981,013** | | | |

## Appendix K: Update to Report #2 List of Potential Olympia Development Sites

| ZONED | |
|---|---|
| **Use** | Downtown Business (DB) |
| **Height** | 80 Feet |
| **Coverage** | 100% |
| **Notes:** | High profile location located in the new Heritage Park. Excellent views all directions. Located in the preferred development area. DB zoning allows for two additional floors if they are for residential use. |

# Appendix L: Tumwater Town Center Neighborhood Land Use Plan, Chapter 13, Section 13.7, Pages 170-175

# TUMWATER TOWN CENTER



## 13.7 TUMWATER TOWN CENTER

The citizens of Tumwater envision a future downtown on 190-acres of the Tumwater Town Center Neighborhood bordered by Interstate 5, Airdustrial Way, Capitol Boulevard and Israel Road. This chapter of the Land Use Plan offers a framework for a mixed-use, urban density, transit-supported community services center, a true downtown for a city whose urban nucleus was decimated by freeway construction in the late 1950s. This area is called the Tumwater Town Center, and represents a component of the Tumwater Town Center Neighborhood.

The vision for this area includes creation of a downtown and community gathering place; a broad mix of uses; clustered development to create a critical mass for public transportation; and continuing responsiveness to regional goals for growth management and environmental protection.

In addition to the major goal of replacing the town center lost by the construction of Interstate 5, other goals of the Tumwater Town Center plan are to:

- Create a mixed-use town center consisting of commercial developments of office, retail and service businesses; residential; educational; civic services; support facilities; and public assembly facilities.
- Site and develop new professional office facilities to build a "critical mass" of employment, which is critical to encouraging high-capacity public transit and discouraging the use of single-occupant vehicles.
- Create open space and park areas to preserve the area's natural resources and beauty.

This plan is distinguished by eight elements:

### 1. Land Use

The Tumwater Town Center is envisioned to include a mix of land uses: state facilities; private commercial developments of office, retail and service businesses; residential; educational; civic/community services; support facilities/services (i.e., child care); public assembly; open spaces; and parking. A vibrant mixture of activity, with people potentially present 24 hours a day, is anticipated. Land uses that reinforce this activity are encouraged.

Tumwater Town Center is divided into four subareas. Each of these subareas is described below. Supporting policies provide a framework to guide future development of the Tumwater Town Center.

**Mixed Use**. The goal of the Mixed Use Subarea is to provide mixed retail, office and residential uses at a level of intensity sufficient to support transit services and to provide a focus for the town center. A broad mix of land uses should be allowed, including retail, offices, services, restaurants, entertainment, lodging, community facilities and residential. The following percentages represent a desirable mix of ground floor land uses for this subarea. These percentages are intended to monitor the development of the entire Mixed Use Subarea over time. It is not the intent to apply these percentages to individual development proposals.

Office - 45%

Retail- 40%

Residential- 15%

#### Mixed Use Policies

Provide opportunities and incentives for mixed use developments that incorporate retail or office uses on the ground floor with services or housing on upper stories.

Encourage retail uses along Tumwater Town Center main streets to promote development of a concentrated shopping area that serves as an activity, people oriented focus to the town center. Buildings should be oriented toward the main streets and public spaces where possible. Building facades should provide visual interest to pedestrians. Street level windows, minimum building setbacks, on-street entrances, landscaping, and articulated walls should be encouraged.

Encourage public and private sector cooperation in providing capital investment, such as parking and street improvements that contribute to encouraging new business to locate in the town center.

Initiate a capital improvement strategy to implement pedestrian improvements, beautification projects, parks and civic facilities in the town center.

**Professional Office**. The goal of this subarea is to provide an area for large professional office buildings in close proximity to transit and arterial and collector roadways. This subarea is intended to provide for employment growth in professional, business, health and personal services.

### Professional Office Policies

Encourage retention, location and expansion of professional, financial and commercial office land uses for personal and business services.

- Provide opportunities for complementary retail uses within office structures.

**Civic**. Existing civic land uses include the Tumwater City Hall, Tumwater Timberland Library and the new Tumwater Headquarters Fire Station. The goal of this subarea is to provide civic uses that provide identity and focus for the Tumwater Town Center.

### Civic Policies

- Encourage development of buildings and public spaces within the Civic Subarea that can provide civic functions.

**Residential**. The goal of the Residential Subarea is to provide for a high quality, high density living environment within walking distance of jobs, shopping and public transportation.

### Residential Policies

- Encourage the development of housing in the Tumwater Town Center to support business activities and to increase the vitality of the area.
- Encourage a mix of housing choices to create variety in residential opportunity and to maintain a jobs/housing balance within the Tumwater Town Center, to make the town center a "people place" in the early morning, daytime and evening hours.
- Encourage a variety of well-designed housing styles.
- Apply development standards and guidelines to promote aesthetically pleasing, private, safe and comfortable housing through design and open space.

Parking alternatives should be explored. On-street parking should be accommodated in the Tumwater Town Center. The City should work with Intercity Transit to identify possible sites for the eventual construction of a transit center.

One or more parking garages should be considered. Possible sites, funding options and design features (e.g. first floor retail) should be evaluated. Development standards for surface parking lots and parking garages will be developed in the design review guidelines for the area. Several concepts the City should consider are provided below.

- Limit the amount of street front surface parking lots, with no surface parking lots on the main streets.
- Limit curb cuts to minimize the apparent width of parking lots.
- Adopt design guidelines that will apply to parking structures that face the street, unless such structures are located underground.
- Require parking structures to be located behind building.
- Allow parking structures to be located along the street if the ground floor is utilized for retail use.

- Restrict surface parking lots on corners so that buildings are the dominant features of the intersection.
- Require parking facilities to be designed so that access is from an alley or from a street at locations that do not conflict with pedestrian circulation.
- Maximize on-street parking for customer (short term) use to provide a pedestrian-friendly environment; develop standards for on-street parking areas.

Among the existing uses in this area are an underground petroleum pipeline and above and underground petroleum storage tanks (Texaco), a United Parcel Service shipping facility, and Richmond Engineering, a specialty steel fabricator. Removal and relocation of the Texaco petroleum facilities will be necessary for the maturation of the Tumwater Town Center. New zoning standards for the town center should allow United Parcel Service and Richmond Engineering to remain as conditional uses. Future additions or expansions of these two facilities of up to 50% of the existing floor space should be allowed subject to design and development standards to ensure compatibility with the surrounding area.

**2. Density and Scale**

The area should consist of multi-story buildings that will define a new town center for Tumwater. The density should be greatest along the future downtown main streets. Such density is needed to accommodate predicted future use demands and create the development pattern. Further, the density is desirable to create a critical mass of potential transit ridership.

**3. Architectural Character**

Creation of an urban character (not rural or suburban) is key. Buildings should front directly on designated main streets where possible. Overhangs and awnings could provide pedestrian protection and link individual buildings. Parking should not disrupt building activity and should be located unobtrusively. Design review guidelines should be developed for this area to facilitate its future development as a town center. Adoption of urban development standards (e.g. wide sidewalks, zero setbacks and public plazas) should also be considered. Encourage the installation of benches, kiosks and other street furniture that provide a unifying element and aid in developing the pedestrian scale of the area.

**4. Landscaping and Open Space**

A plaza, central square or commons should be provided as a gathering place in the Tumwater Town Center. Visual pedestrian features, e.g., fountains, sculptures and other focal points that will draw people to this type of facility should be considered. A centrally located site that could be re-developed as a plaza is the current City maintenance shop site located south of City Hall.

The Tumwater Parks and Recreation Plan calls for a neighborhood park to be developed in a central location within the downtown area. The plan specifically calls for this park to be oriented toward passive recreation. A potential site for a neighborhood park should be identified.

Open space corridors with trails should be provided throughout the Tumwater Town Center area. Specific routes for trails/walkways should be identified. Routes should connect other open space or landscaped areas. Connection of land uses provides for activity throughout the town center at all times of the day and night.

Existing city open space and landscaping standards should be required for new developments locating in the city center area. Funding alternatives for public open space areas should be explored.

Consolidation of open space areas in the Tumwater Town Center into a specific area may be considered as an alternative to providing small pockets of open space throughout the town center.

## 5. Lighting and Signage

Lighting and signage should provide a consistent and distinguishable character to the area. Architectural features and focal buildings will define primary destinations and access points. Signage-and lighting should add to those features by providing information, orientation, and safety. Of particular importance will be transit signage. Transit shelters and other facilities should be consistent with the city center character and meet the needs and standards of Intercity Transit. Lighting must not create any navigational hazards for the Olympia Airport.

## 6. Circulation

Numerous multi-modal transportation connections must be provided for the development of the area. New Market Street should be extended to permit a circulation route between Airdustrial Way and Israel Road; 73rd Avenue should be extended to provide an east-west street connection linking the town center to Linderson Way and Cleanwater Lane. Streets through the area in both north-south and east-west directions will encourage growth of retail services, enhance transit service, and increase pedestrian activity. Walkways throughout the Tumwater Town Center should be wide and generous to provide pedestrian-friendly access and circulation.

## 7. Utilities

All utilities are available to the area. Electrical power, natural gas, water, storm drainage and sanitary sewer systems will require upgrading and extension to complete the utility service system. The concept for distribution follows existing and new public rights-of-way.

The subsurface conditions in the area are significant to the Tumwater Town Center's development. Groundwater is at relatively shallow depths, typically about 10 feet. Surface materials are highly permeable and will require significant storm drainage retention/detention systems as part of the area's development. Options for addressing storm drainage should be explored. One alternative is to provide a regional storm drainage facility on property located outside of the neighborhood.

Another option is to incorporate storm drainage facilities into the design of individual developments. Design and aesthetic standards should be developed to ensure the facilities are safe (i.e. not too steep) and aesthetically pleasing. Utility improvements are envisioned to be concurrent with proposed development.

## 8. Street design

Specific street cross-sections should be considered when adopting the City's transportation plan and development standards for the area.

All roadways should have plantings, seating, trash receptacles, hydrants, tree grates or planter strips, and bus stops, in scale with the proportions of the roadway and the surrounding area, and designed to reflect the civic character of the town center and the history of Tumwater. Wide sidewalks and bi-level, decorative street and pedestrian lighting should be provided along the main streets. Streets should be designed to accommodate on-street parking.