

1063 Block Replacement Project Tenant and Efficiency Report

Chapter 3, Laws of 2015, Sec. 1077(2)

Office of Financial Management
Budget Division, Facilities Oversight
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PURPOSE

The state's 2015–17 enacted capital budget authorized the Department of Enterprise Services (DES) to construct a new office building at 1063 Capitol Way S. in Olympia. The building is expected to be a model of efficient space and energy use.

Furthermore, Section 1077 of the budget directed the Office of Financial Management (OFM) to reconsider previously selected tenants for the building and report to the Legislature on any redesign of the building and resulting increase in space efficiency. This report provides background, summarizes the analysis conducted and provides the outcome of OFM's review.

BACKGROUND

Original tenant selection

The 2013–15 capital budget gave DES authority for predesign, design and other activities necessary for replacing the buildings on the 1063 Capitol Way S. block in Olympia under a design-build contract. The budget specified that the building provide 200,000–225,000 square feet of office space, based on OFM's direction for square footage. The budget also specified that tenants identified in the programming phase must include the Washington State Patrol (WSP).

In the selection of tenants, OFM considered legislative direction to include WSP, the state law on colocation and consolidation of state services, and the efficient use of existing facilities. In August 2013, OFM identified tenants and square footage allocations as shown below.

Agency	Square Footage
Washington State Patrol – GA building and Thurston County offices	110,000
Office of Financial Management – GA building	30,000
Legislative agencies	35,000
Joint Legislative Audit and Review Committee	
Joint Legislative Systems Committee	
Legislative Evaluation and Accountability Program Committee	
Joint Transportation Committee	
Office of the State Actuary	
Washington State Institute for Public Policy	
Common building spaces (conferencing, break rooms, etc.)	16,000
Building load	19,000
Total Building Square Footage	210,000

This selection would enable the complete removal of tenants from the General Administration (GA) building as outlined by the legislation. It would also enable consolidation of state agency functions and move key legislative agencies in proximity to the Legislature.

Under the original plan, the anticipated staff occupancy of the building was approximately 800, or about 262 gross square feet per occupant. In January 2014, as directed by the Legislature, OFM provided cost estimates for the building based on information available at the time.

The annual operating cost was estimated at \$7.3 million. Using original staff projections, the estimated cost per occupant would be roughly \$9,100.

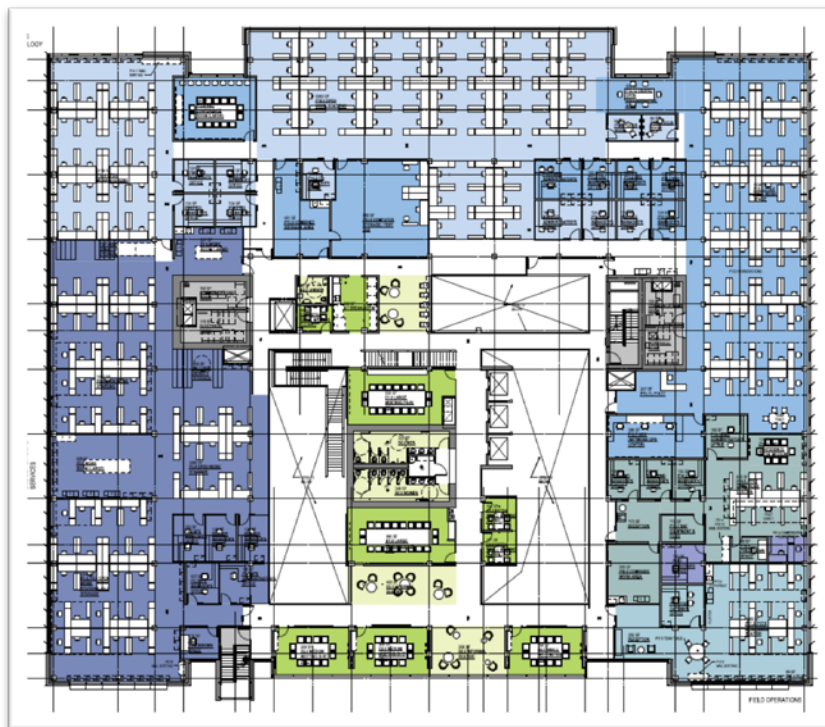
Building programming and selection

After tenants were identified, DES worked with agency representatives to develop a design program for the building. This design program identified staffing and agency program requirements. Agency representatives —with the consultant team — identified sharing opportunities such as conference rooms, break areas, loading dock, wellness rooms and locker rooms.

In November 2013, DES solicited proposals for the 1063 block replacement project. The design program was provided to prospective contractors. The request for proposals (RFP) also specified a high-performance building with a minimum of LEED Gold certification and a five-year guarantee for energy, operations and maintenance performance.

The RFP emphasized that the building must follow the Capitol Campus design standards outlined in the 2006 state Capitol master plan. As part of the west Capitol Campus, the design approach was to complement the historically significant campus while also placing a priority on providing a connection between the Capitol Campus and downtown Olympia.

In March 2014, DES selected the winning design-build proposal, from Sellen Construction Company, as designed by ZGF Architects. The building will be approximately 215,000 total square feet. It is designed around a central, interactive atrium which has relatively narrow office wings and serves multiple purposes such as providing access to natural daylight, more passive cooling, extended views and common shared areas among occupants. All floors of the building contain common conference and informal meeting areas that are accessible by tenants and the public.



Third-floor building layout showing the office areas surrounding the central atrium and shared conference area

TENANT AND SPACE EFFICIENCY REVIEW

Owning and leasing space for government operations is a significant financial investment by the citizens of Washington. Therefore, the state strives to lease and own facilities that:

- Provide space that supports the business needs of state agencies.
- Provide space that is healthy, safe and sustainable.
- Use the state’s facilities efficiently.
- Use the state’s fund sources effectively.

As directed by the Legislature, OFM evaluated the proposed building’s space efficiency and reconsidered the building’s tenants. The space review included an evaluation of the building design, flexibility of the space and tenant need. The tenant review included consideration of specific alternative tenants. This review is summarized below.

Scope and baseline

OFM’s scope for this review was based on four factors:

- The existing design-build contract
- Availability of contingency funds in the 2015–17 capital budget for changes
- Building design features that support the energy-efficient design
- Impact to the overall schedule

Based on these factors, OFM determined that the scope of its review would focus on the interior building design.

OFM used design drawings completed as of July 2015 as the basis for this review. Below is a table that describes the baseline metrics, including gross square feet (GSF) and costs.

Space breakdown per tenant (based on design set as of July 2015)					
Tenant	Est. GSF	Occupant Capacity	GSF per Occupant	Total Annual Operating Cost ¹	Cost per Occupant
Washington State Patrol	154,047	541	285	\$4,599,000	\$8,500
Office of Financial Management	24,994	93	269	746,000	8,020
Legislative Evaluation and Accountability Program Committee	5,523	12	460	165,000	13,750
Joint Legislative and Review Committee	9,085	30	303	271,000	9,030
Joint Legislative Systems Committee	12,431	38	327	371,000	9,760
Joint Transportation Committee	1,784	4	446	53,000	13,250
Future tenant ²	6,763	23	294	202,000	8,780
Total Building (Including support space)	214,628	741	290	\$6,407,000	\$8,650

Prior to the July 2015 design drawings, the Washington State Institute for Public Policy and the Office of the State Actuary withdrew from the project. During the design programming phase, refinement of agency business needs led to adjustments in individual agency areas.

¹ Estimate based on October 2015 certificate of participation sale and projected building operating costs.

² Future tenant occupancy is estimated by dividing the vacant space by the average GSF per occupant of the planned tenants.

Space efficiency/building design

The building is designed with a central core for public use and with occupant support space surrounded by dedicated tenant space. The main portion of the office space is located in a “U” shape around the atrium. In general, the office spaces are designed efficiently. Where appropriate for business operations, tenant spaces are designed to meet unique business needs.

Consistent with the RFP, this building was designed for a high level of public use due to its location on the west Capitol Campus as well as for tenant need. Common areas of the building are designed for meeting and conference space, building and tenant support space and general circulation. The ground floor, the atrium, the first floor and a portion of the fourth floor all have a significant amount of circulation space to accommodate occupant and pedestrian access to public areas. These design features result in a higher square footage per occupant ratio than in a typical state office building.

While OFM recognizes this inefficiency, modifications to address this would require significant alterations to the building design that would be inconsistent with the Capitol master plan, cost prohibitive and beyond the scope of the design-build contract.

Space efficiency/flexibility of space

Throughout the life of any state building, facility needs often change due to the evolving business needs of its occupants. These changes are influenced by many factors, including agency programs, service delivery methods, technology, the composition of the workforce and legislative direction. The design of the 1063 building needs to be flexible to accommodate future needs.

Upon review design as of July 2015, OFM determined that the building design limited flexibility for future modifications in some space. OFM worked with the design team and tenants to refine building programming and interior office spaces to improve the building’s flexibility.

As the project design continues, the principle of future flexibility should continue to be stressed and implemented where the tenant programming allows.

Space efficiency/tenant need

Agencies have worked closely with DES and the design team to meet each tenant’s business needs. The team identified several opportunities to share similar-use space such as common conference rooms and break rooms. If agencies were to continue to be housed separately, the state would occupy more of this type of space. However, the sharing of common space results in better use of space.

However, because this is a multi-tenant building, it is designed so agencies will be separated from each other. This is necessary to meet various security and confidential data requirements. This separation requires multiple reception areas, separate copier and supply rooms, and separate tenant entrances. These divisions, while necessary to meet agency business needs, decrease the efficiency of the building.

Within the individual tenant areas, most business needs will be met in open office environments. This achieves a high ratio of housed employees to tenant office space. This is especially the case where there are large numbers of occupants in a single program.

WSP has several unique business needs that cannot be met in an open office environment. The Office of the Chief, Criminal Investigations Division, Investigative Assistance Program and the Office of Professional Standards all require high levels of security to protect sensitive information. Many of these programs have national accreditation requirements for facilities. WSP has also identified unique business needs for its latent print (fingerprinting) operation that include separate plumbing and showers, and electronic vehicle services that require more loading dock space.

Similarly, legislative agencies have identified unique business needs for dedicated training and conference room spaces.

All the business needs defined above result in a higher ratio of square feet per occupant than a typical office building. After looking closely at the building design, OFM has determined that most of these programs are still suitable tenants for the building, based on adjacency to each other and Capitol Campus operations. However, OFM determined that the WSP latent print operations and electronic vehicle services should be removed from the building.

Some agencies have opted for 80-square-foot workspaces for staff instead of standard workspace sizes of 64 square feet. While the building has very minimal projected workspace growth, it is designed in a way that will allow for future workstation growth to be handled within the tenant spaces. Tenants have made a commitment to accommodate growth in the building using this strategy.

Alternative tenant considerations

As required by the Legislature, OFM reconsidered the previously selected tenants. OFM was required to consider the Utilities and Transportation Commission (UTC), all current GA building tenants that can be accommodated in a high-density office building and other possible tenants.

To ensure a thorough review, OFM considered the state's entire portfolio of facilities in Thurston County. Review criteria included previous legislative direction, total square footage need, highest and best use of the west campus as defined in the 2006 Capitol master plan, suitability of business performed for this site, colocation, ability to use building space efficiently and the overall efficiency of the state's portfolio.

After considerable exploration of these criteria along with the building design, we have determined that OFM, the majority of the WSP and the most legislative subagencies will remain tenants of the building. Below is a summary of alternative tenants considered by OFM.

UTILITIES AND TRANSPORTATION COMMISSION

UTC is a regulatory agency that works with major corporations to set rates for utilities and transportation companies. The commission submitted a request to OFM to relocate its headquarters in Olympia in late 2013. The agency's current facilities are oversized, with declining functionality due to outdated building infrastructure and poor space configuration. OFM approved this request, and DES is seeking proposals through the real estate market for housing UTC. OFM understands that no suitable options have been presented to DES and UTC.

The agency has a business need for 42,000–45,000 square feet to accommodate 182 staff (42 offices and 140 workstations). The agency has frequent public meetings, hearings and workshops. UTC is forecasting growth to address expanding responsibilities in rail safety and energy policy. To create enough space in the 1063 building to meet UTC’s programmatic needs, some of the currently selected tenants would need to be displaced. Due to the number of private offices UTC has identified it needs, locating the agency in the building would reduce the efficiency of the office space, and more hard walls would add to construction costs.

Given these considerations, UTC is not a good fit for the 1063 building at this time. OFM will continue working with UTC and DES to identify the best solution to meet the agency’s needs.

GA BUILDING TENANTS

The Legislature previously directed that this project be phase one of a two-phase project that includes the demolition of the GA building. The Legislature directed that the major GA building tenant — WSP — be moved to the 1063 building. Once WSP and OFM vacate the GA building, it will be unfeasible to keep the building occupied.

The remaining GA building tenants are the Office of Minority and Women’s Business Enterprises, Commission on Judicial Conduct, Commission on African American Affairs, Commission on Hispanic Affairs, Commission on Asian Pacific American Affairs and the Governor’s Office of Indian Affairs.

The Office of Minority and Women’s Business Enterprises is in the process of relocating to the Capitol Court Building. The needs of the remaining agencies are not compatible with a high-efficiency office building such as the 1063 building.

Since 2014, OFM has been working with these agencies to locate suitable offices. They are relatively small and can be housed in existing state-owned space. Priority was given to backfilling vacant space on the Capitol Campus, especially in facilities with debt obligation. After OFM’s Statewide Accounting Division is moved to the 1063 building, there will be capacity in the state-owned Capitol Court Building for all remaining small agencies now housed in the GA building.

OTHER POSSIBLE TENANTS

As noted above, OFM determined that the 1063 building’s efficiency would be boosted by leaving some of WSP’s special programs in their current locations rather than move them to the new building. This decision, along with some redistribution of other tenants within the building, results in approximately 12,000 square feet of vacant space.

Leaving this space vacant would not be efficient, and removing this amount of square footage from the building design would be cost prohibitive. Therefore, OFM evaluated other possible tenants for this space using the criteria listed above. After evaluating a variety of options, OFM determined that the most suitable additional tenants for the 1063 building are the portion of Office of the State Treasurer (OST) services now housed in the Capital Court Building and the Results Washington program.

Capitol Court consists of many small suites on five floors. The building is a good fit for smaller agencies that are fairly stable in size. In addition to the current tenants (The Department of Archeology and Historic Preservation and the Caseload Forecast Council) and the future tenants

from the GA building listed above, relocating OST to the 1063 building will allow additional small agencies that are now in leased space to move to the Capitol Court Building. This consolidation would place 11 agencies in a single state-owned building. DES has stated that the colocation of small agencies in this space can result in better financial and human resources service delivery by these agencies.

This solution is the most compatible with the Capitol master plan, allows for the most effective use of the state's facilities portfolio and does not adversely affect current business colocations.

OUTCOME

As a result of the analysis above, OFM has determined that the 1063 tenants will be the following agencies:

- WSP from the GA building and Pacific Avenue building
- WSP functions from Cleveland Avenue except for latent print operations and electronic vehicle services
- OFM from the GA building, Capital Court Building and the Plum Street Building
- Legislative sub-agencies:
 - › Joint Legislative Audit and Review Committee (JLARC)
 - › Legislative Evaluation and Accountability Program Committee (LEAP)
 - › Joint Legislative Systems Committee (LSC)
- Office of the State Treasurer from Capital Court

DES has been directed to make the following changes to the design of the building to support greater efficiency:

- Remove WSP's latent prints and the electronic service area for vehicle modification.
- Relocate LEAP to the second floor.
- Designate shared conference room space for JLARC to accommodate LEAP on the second floor.
- Remove the Joint Transportation Committee (JTC). (The JTC director, with the support of legislative committee chairs, removed the agency from consideration for this building.)
- Relocate WSP's Human Resources and the Fire Prevention and Preparedness programs to the ground floor.
- Remove a designated break room for DES' janitorial staff. These staff will use the shared break rooms in the building.
- Relocate an OFM program to the first floor.
- Accommodate OST's business needs in the remaining vacant space on the first floor.

OFM also stressed the importance of making design changes throughout the building to increase the flexibility of space to accommodate future program needs. The building design does not support significant growth in the future. OFM expects that the agencies will move to standard workspace sizes if growth space is needed in the future. Therefore, OFM has calculated the gross square feet per occupant of the building based on occupant capacity.

Tenant	Estimated GSF	Occupant Count	Occupant Capacity	GSF per Occupant	Total Annual Operating Cost ³	Cost per Occupant
Washington State Patrol	147,293	528	576	256	\$4,397,000	\$7,630
Office of Financial Management	27,034	104	105	257	\$807,000	\$7,690
Legislative Evaluation and Accountability Program Committee	5,346	12	15	356	\$160,000	\$10,670
Joint Legislative Audit and Review Committee	8,993	30	39	231	\$268,000	\$6,870
Joint Legislative Systems Committee	12,601	38	49	257	\$376,000	\$7,670
Office of the State Treasurer	13,361	44	51	261	\$399,000	\$7,820
Total building (including support space)	214,628	756	835	257	\$6,407,000	\$7,670

Space efficiency/comparison to other Thurston County facilities

As directed by the Legislature, OFM is providing a comparison chart that illustrates how the square feet per occupant of this building compares to other large Thurston County state facilities. This building at maximum occupancy will be in line with other buildings on the Capitol Campus.

Building	Square Feet	Occupant Capacity	GSF/ Occupant
300 Desmond Dr. S.E., Lacey – Ecology headquarters	323,000	1,188	272
1063 Block Replacement Project – Capacity	214,628	835	257
310 Maple Park, Olympia – WSDOT headquarters	204,053	806	253
1500 Jefferson Office Building, Olympia – DES and WaTech headquarters	249,853	989	253
7273 Linderson Way, Tumwater – L&I headquarters	459,765	1,918	240
Israel Road Complex, Tumwater – DOH headquarters	396,900	1,839	216
7345 Linderson Way, Tumwater – DOC headquarters and DOT administration	218,054	1,134	192

³ Estimate based on October 2015 certificate of participation sale and projected building operating costs.

