



Department of **General Services**



DGS Capital Outlay Projects Update

Joe Damico, Director
Department of General Services



PRESENTATION TOPICS

- 9th and Broad Street Parking Garage
- Old City Hall
- 7th and Main Street Site (former Virginia Employment Commission office building)
- Commonwealth Courts Building
- General Assembly Building
- Capitol/General Assembly Building Tunnel
- Central State Hospital
- Cost Escalation Impact on capital Projects
- Commonwealth's Real Estate Portfolio Analysis – Richmond Metropolitan Area



9th AND BROAD STREET PARKING GARAGE



PROJECT SCOPE

- 500 car parking garage with 300 spaces serving the GAB
- Seven levels above grade
- Sub-level House & Senate storage
- Basement - tunnel access to GAB below 9th Street
- **Construction cost: \$32M**

SCHEDULE

- Construction start: Spring 2021
- Preparing for final building inspections
- Punch list & final completion: April 2023





OLD CITY HALL



PROJECT SCOPE

- Restoration of a National Historic Landmark – interior/exterior
- New office space
- Plaza site work
- Planned tenants: TBD
- **Construction cost: \$71M**



SCHEDULE

- Construction start: January 2020
- Preparing for final building inspections
- Punch list & final completion: May 2023





7TH AND MAIN STREET SITE



PROJECT SCOPE

- Demo building and parking deck
- Site will be backfilled and landscaped
- **Design/Demo estimated cost \$22M**

SCHEDULE

- Demo procurement – February 1, 2023
- Demo contract award – April 2023
- Hazard abatement & demolition start – May 2023
- Demo/Landscape work complete – 1st Quarter 2024





COMMONWEALTH COURTS BUILDING



PROJECT SCOPE

- Demo Pocahontas Building – East Tower
- Renovate Pocahontas Building – West Tower
- New Judicial Building for the Virginia Supreme Court and the Virginia Court of Appeals
- 315,000 SF facility
- 31 underground parking spaces
- **Design/Demo estimated cost \$26.2M**

SCHEDULE

- Detailed Planning authorized and funded – Chapter 552
- Introduced Budget – Working Drawing/Demo authorization/funding
- VCU Computer Center moves from building basement – December 2023
- Demo (provided funding approved) – Spring 2024
- New construction start (provided funding approved): 1st Quarter 2025
- Completion: 1st Quarter 2028





GENERAL ASSEMBLY BUILDING



PROJECT SCOPE

- 422,000 gross square feet
- First-floor food service
- Tunnel to new 9th and Broad Street garage
- One floor below grade, 14 floors above grade
- 7 committee rooms, 12 subcommittee rooms
- Legislative members and staff offices
- Clerks' legislature support staff
- Division of Legislative Services
- **Construction Cost: \$225M**

SCHEDULE

- Demo start : 2nd Quarter 2017
- Construction start: 1st Quarter 2019
- Preparing for final building inspections
- Punch list & final completion: 2nd Quarter 2024





GENERAL ASSEMBLY BUILDING



Impact to Schedule Construction Timeline

- Installation of mill work in the public spaces (main lobby, atrium, dining area), audio-visual equipment
- Installation of fire alarm smoke control panel, stair pressurization equipment, security equipment & furniture
- Start up and commissioning fire alarm system, elevators, MEP
- Historic façade restoration, hardscape installation, guardhouse, & tunnel construction
- Project challenges: COVID-19, supply chain on construction materials, A/V & IT equipment, labor shortages, and historic façade restoration



Senate Committee Room



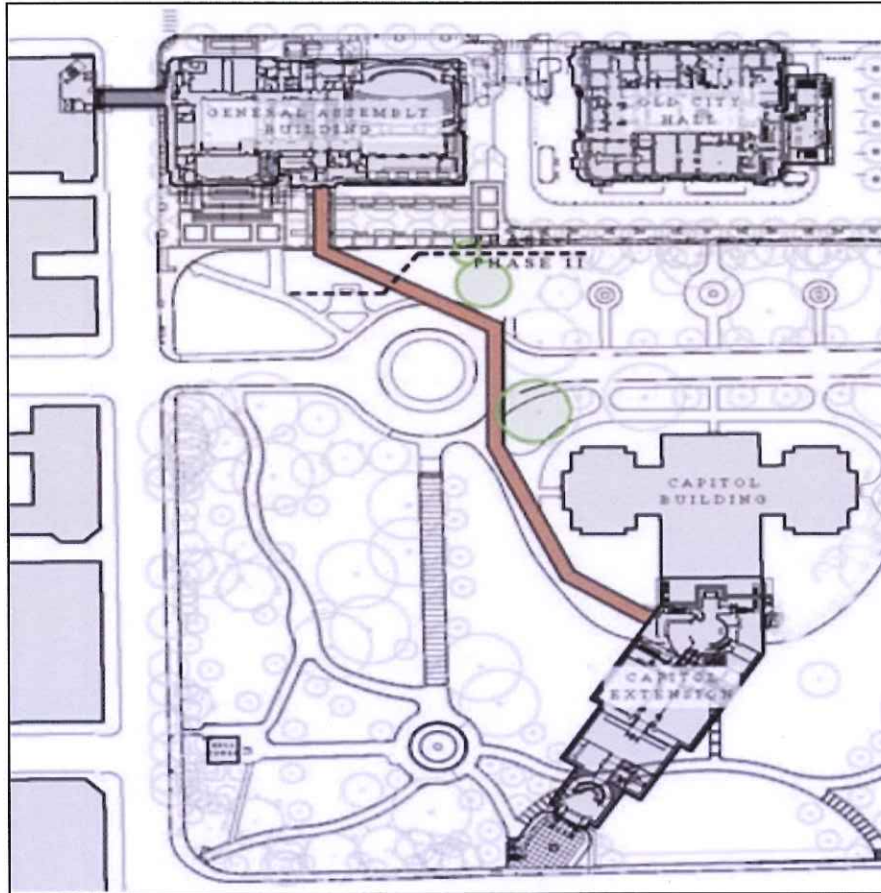
SFC Subcommittee Room



Food Service Area



CAPITOL/GENERAL ASSEMBLY TUNNEL



SCHEDULE

- Construction start: December 2021
- Tunnel backfill: February 2023
- Tunnel interior complete: 4th quarter 2023
- Tunnel available for the 2024 General Assembly session

Project Scope

- Connect south side of the GAB to the northwest side of the Capitol extension
- Approximately 600 feet
- Emergency exit stair on the northwest side of Capitol Square
- **Construction Cost: \$20.7M**





CENTRAL STATE HOSPITAL



Project Scope

- 461,000 SF stand-alone facility in Petersburg
- 252 beds with infrastructure to support future additional 48 beds
- **Project currently being bid; estimated construction cost not available publicly at this time**

SCHEDULE

- Site work construction started
- Building construction start (provided necessary supplemental funding is approved): Summer 2023
- Construction completion: Summer 2026





COST ESCALLATION IMPACT ON CAPITAL PROJECTS



Six-Year Capital Outlay Plan Advisory Committee

- Members:
 - Staff Director of the Senate Committee on Finance and Appropriations
 - Staff Director of the House Committee on Appropriations
 - Secretary of Finance
 - Director Department of Planning and Budget
 - Director Department of General Services (DGS)
 - Executive Director of the State Council of Higher Education
- Recommends capital projects for approval authorization and monitors cost of authorized capital projects
- DGS, Division of Engineering and Buildings provides cost estimating support to the Committee



COST ESCALLATION IMPACT ON CAPITAL PROJECTS



Current status

- Over 175 active authorized projects from 2016 – 2022 (higher ed and state agencies) in some phase of development (design/construction)
 - Cost escalation has impacted those projects differently based on where they are in the development process
 - Escalation percentage used by DGS to estimate cost impact on pools:
 - Prior to 2021 – 3.5% - 4.5%
 - 2021 – 15.6% (supply chain 9%/inflation 6.6%)
 - 2022 – 15.6% (supply chain 9%/inflation 6.6%)
 - 2023 – 10.6% (supply chain 4%/inflation 6.6%)
 - 2024 – 6.6% (inflation)
- SB 800 - \$400M GF to supplement previously authorized capital projects
 - \$100M FY23
 - \$300M FY24
 - Contingent upon previous FY balances



COMMONWEALTH'S REAL ESTATE PORTFOLIO ANALYSIS – RICHMOND METRO



Scope of Work: Jones Lang LaSalle (JLL) real estate consulting firm hired to:

Identify cost savings opportunities for administrative space through facility consolidations, renegotiation of leases, more efficient use of space, and other market opportunities

Findings

- Average administrative utilization 261 rentable square feet/employee
- JLL recommends a utilization of 210 rentable square feet/employee
- More efficient utilization = reducing rentable square fee = lower lease cost

Recommendations

- Retain a consultant to continue to evaluate consolidation opportunities
- Establish a 200 – 210 rentable square feet/employee target for admin space
- Provide DGS the authority to enforce utilization targets

Evaluate Old City Hall and Reid's Row office space

Findings

- Developing efficient space in historic buildings can be challenging; JLL believes DGS designed both effectively
- Tenants for the buildings should be considered as an integrated component with other consolidation opportunities
- JLL does not recommend altering the design as renovation already is underway

Considerations:

- Include the two buildings as part of overall consolidation strategy to maximize building efficiency



COMMONWEALTH'S REAL ESTATE PORTFOLIO ANALYSIS – RICHMOND METRO



Scope of Work: Jones Lang LaSalle (JLL) real estate consulting firm hired to:

Study the condition and analyze renovation of the Monroe Building

Findings

- JLL performed a 30-year analysis to continue to occupy the Monroe Building
- More costly to maintain the Monroe Building over a 30-year period than lease or build new similar space

Recommendation

- Vacate Monroe, move tenants to state-owned or private lease space

Analyze 7th and Main Street proposed new development for Monroe Building tenants

Findings

- DGS authorized (Chapter 552 – 2021) to design and construct a new office building at the 7th and Main Street site
- Construction inflation has impacted the cost effectiveness to develop the 7th and Main Street site as conceptually designed
- A combination of state-owned space and private lease space is more cost effective to accommodate Monroe tenants

Recommendation

- Do not proceed with 7th and Main Street new building development



COMMONWEALTH'S REAL ESTATE PORTFOLIO ANALYSIS – RICHMOND METRO



Next Steps - Phase 2: Jones Lang LaSalle (JLL) real estate consulting firm hired to:

Monroe Building exit strategy

- Determine agency space needs
- Evaluate existing state-owned buildings to determine ability to redesign space for better efficiency to accommodate selected Monroe Building tenants
- Identify private lease need for Monroe Building tenants, consolidate in existing leases or new leases using reduced rentable square feet/employee

Identify opportunities in the Commonwealth's Richmond Metropolitan Area leased portfolios

- Consolidate agencies into more cost-efficient leases
- Move from leased space to owned space
- Renegotiate leases to more favorable terms

Develop space standards manual

- Offices, workstations, conference rooms, etc. allowable square feet and configurations

Virginia Department of Transportation (VDOT) – Annex Building

- Review facility condition
- Evaluate cost to construct a new VDOT building vs leasing private space



REAL ESTATE OPTIMIZATION PLAN

JANUARY 2023

Secretary of Administration



SECRETARY OF ADMINISTRATION

Lyn McDermid

Real Estate – Optimization Steps

1. JLL is currently conducting Phase 2 to develop implementation plans for consolidation of existing executive branch owned and leased buildings. Phase 2 completion May, 2023.
2. Moves and changes will begin with common sense moves and changes that provide initial improvements to the use of space as budget permits.
3. Using JLL Phase II plan as a foundation, develop a comprehensive Master Plan to include future state of buildings and grounds in the RMA state footprint. Representation from House, Senate, and other stakeholder will be included in the Master Planning process.
4. The Governor has included \$500K as an amendment to current budget to develop the Master Plan.
5. Projects identified in the Master Plan will be submitted to the General Assembly in next biennial budget



SECRETARY OF ADMINISTRATION

Lyn McDermid

Richmond Metropolitan Area Transformation

- The Commonwealth's Real Estate portfolio for administrative office space concentrated across the Richmond Metropolitan area ("RMA"), consists of 3.8 million square feet in which 12,268 employees are assigned.
 - Assessment by JLL, leading real estate management firm, noted 75% of the RMA portfolio for owned and leased buildings occupied by executive branch functions have significant issues with efficient utilization.
 - Significant opportunity exists to transform the Commonwealth's RMA real estate portfolio across three major areas:
1. The average utilization of general and administrative space in the Richmond Metro Area focus properties is 261 rentable square feet ("RSF") /employee. This is 51 RSF above industry-recommended utilization of 210 RSF/employee, representing an excess of 875K+ square feet in the RMA alone
 2. Large inconsistencies between the amount and quality of space being used, creating a culture of "Haves" and "Have Nots" with agencies
 3. Lack of efficient management across DGS and agencies to optimize occupancy expenses and use office space as an effective personnel management tool to bolster workplace ambiance, inspire personnel, and support inter and intra agency collaboration

Revitalize Downtown Richmond

Beautify Richmond Skyline and Enrich Capitol Square

Realize Efficient Portfolio and Personnel Management



SECRETARY OF ADMINISTRATION

Lyn McDermid

Current State – RSA Portfolio

Efficient Portfolio Management

- × Operating on 10+ year old Capitol Square Master Plan (2011)
- × 875K+ excess space across state-owned and leased portfolio in RSA
 - Average RSF / employee of 261 sq ft., compared to industry standard of 210 RSF
- × DGS struggling to enforce space efficiency and utilization standards
- × Offices spaces regularly manipulated with no DGS consultation, permission, or oversight
- × High dollars awarded to cherry-picked renovations, while others remain on the verge of dilapidation (Monroe, VDOT Annex)

Personnel Management

- × Environment of "Have and Have Nots" across agency spaces
 - Wide inconsistency in quality of space and efficiency of utilization
 - Uninspiring workspaces are commonplace and dampen excitement to return to the office
- × No strategic placement of agencies where collaboration is key
 - Frequently-collaborating agencies placed at a distance
 - Little-to-no strategic floor plans to encourage inter-agency collaboration
- × No centralized security mechanisms
 - Knowledge of where employees could be located, particularly in emergencies, is constrained
 - Challenges measuring compliance with telework and other DHRM policies

Fiduciary Prudence to Taxpayers

- × Elevated operating expenses across an overweighted state-owned portfolio
 - \$7,260 annual building operating costs per employee in leased portfolio, compared to \$4,457 across third-party leases
- × Capitol Square Real Estate Projects
 - \$14M to Reid's Row Renovation
 - \$294M to refurbish the GA building
 - \$25M to build new tunnel
 - \$71M to refurbish Old City Hall
 - \$32M New Parking Garage
 - \$22M to demolish 7th and Main
 - \$18M to demolish Pocahontas Building
 - TBD to Build new Courts Building



SECRETARY OF ADMINISTRATION

Lyn McDermid

Future State:

New Master Plan

- **Efficient**
- **Cost Effective**
- **Safe**

Revitalize Downtown Richmond

- ✓ Through consolidation of state-owned footprint, leverage and support soft CRE market by moving personnel from state-owned space to leases in the downtown area
- ✓ Bring foot traffic back to downtown, supporting the restaurant and leisure industry
- ✓ Through demolition of Monroe, & VDOT Annex, open state-owned footprint for private investment, creating private-public real estate development partnerships
 - ✓ Get the Commonwealth out of building single use structures - transform office space through multi-use spaces

Beautify Richmond Skyline & Enrich Capitol Square Area

- ✓ Use Commonwealth property to revitalize downtown.
- ✓ Demolish the Monroe Building & VDOT Annex, opening prime-real estate for private investment and transforming skyline.
- ✓ Establish new and improve existing green spaces and parks, providing value for residents and tourists
- ✓ Expand the Richmond Slave Trail, increasing historic engagement for residents and tourists
- ✓ Create "Old City Hall" Destination and leverage its existing national prominence

Efficient Portfolio and Personnel Management

- ✓ Capture savings and cost avoidance through consolidation of excess space (owned & leased) & enforcement of RSF standards
- ✓ Renovate existing office space, creating uniform work environments where employees are inspired to work in & are encouraged to collaborate
- ✓ Implement the strategic, contiguous placement of agencies to facilitate collaboration
- ✓ Move key agencies / personnel to highest & best use spaces
- ✓ Upgrade security in executive spaces
- ✓ Improve & implement centralized safety monitoring systems to facilitate emergency management and ensure compliance with DHRM policies



SECRETARY OF ADMINISTRATION

Lyn McDermid

Real Estate – Proposed Plan

X - JLL Scope(s)

Revitalize Downtown

Leverage and support soft CRE market by moving personnel from state-owned space to leases in the downtown area	X
Bring foot traffic back to downtown, supporting the restaurant and leisure industry	-
Through demolition of Monroe, & VDOT Annex, open state-owned footprint for private investment, creating private-public real estate development partnerships	X
Transform existing office space, eliminate building single use structures	-

Enhance Richmond Skyline and Enrich Capitol Square Area

Demolish the Monroe Building & VDOT Annex, opening prime-real estate for private investment & transforming RVA's skyline	X
Establish new and improve existing green spaces and parks, providing value for residents and tourists	X
Expand the Richmond Slave Trail, increasing historic engagement for residents and tourists	-
Create "Old City Hall" Destination and leverage its existing national prominence	-
Bolster historic integrity of Capitol Square through placement of monuments to key historic figures	-
Update and refine capitol Facilities and Landscape Plans	-

Efficient Portfolio and Personnel Management

Capture savings and cost avoidance through consolidation of excess space (owned & leased) & enforcement of RSF standards	X
Renovate existing office space, creating uniform work environments where employees are inspired to work in & are encouraged to collaborate	X
Implement the strategic, contiguous placement of agencies to facilitate collaboration	X
Move key agencies / personnel to highest & best use spaces	-
Upgrade security in executive spaces	-
Improve & implement centralized safety monitoring systems to facilitate emergency management and ensure compliance with DHRM policies	-