



COLORADO
Office of the State Architect
 Department of Personnel
 & Administration

December 14, 2018

Representative Roberts, Chair, and
 Members of the Capital Development Committee
 State of Colorado General Assembly
 46 State Capitol Building
 Denver, CO 80203

**RE: Office of the State Architect
 Annual Report to the Capital Development Committee**

Dear Representative Roberts and Committee Members:

The Office of the State Architect (OSA) hereby submits to the Capital Development Committee (CDC) the FY 2019/20 Annual Report. As in past years, the OSA combines its statutory oversight and reporting responsibilities into a single document that highlights statewide capital construction and controlled maintenance funding recommendations, the status of state funded construction projects, the inventory of state owned buildings, facility planning, energy conservation measures, and real estate activities.

The FY 2019/20 capital construction project requests listed in Section II, Recommendations A & B, were submitted for review to OSA from each state agency as part of their capital construction five-year plan and annual budget request submission. As required by Section 24-30-1303 (1) (t) (I) C.R.S., OSA submitted the recommendations to the Governor's Office of State Planning and Budgeting (OSPB). Please note that the Colorado Department of Higher Education (CDHE) recommends capital construction project requests from institutions of higher education separately to the OSPB and the CDC. Concurrently, the controlled maintenance project requests listed in Section II, Recommendations C & D, were submitted to OSA from each state agency and institution of higher education as part of their controlled maintenance five-year plan and also included in their annual budget request submission. As required by Section 24-30-1303 (1) (t) (II), C.R.S., OSA submits these recommendations as the *state's controlled maintenance budget request* to OSPB and the CDC. Subsequently, OSPB considers the recommendations made by the CDHE and the OSA and submits a single prioritized list to the CDC.

As in previous years, OSA continues to recommend the annual controlled maintenance funding goal of 1% of the Current Replacement Value (CRV) of the State's inventory of general funded and academic buildings. The prioritized list of controlled maintenance project requests in Section II - C represents a balanced approach to addressing annual facility maintenance needs across the state's building inventory. Due to a lack of available revenue, controlled maintenance appropriations have historically been inconsistent and below recommended goals as the state's building inventory continued to grow and age. However, with the April 2018 Long Bill appropriation, HB18-1322 (including OSA's FY 2017/18 Level 1 controlled maintenance recommendations) combined with the September 2018 funding of SB17-267 (including OSA's FY 2017/18 Levels 2 and 3 controlled maintenance recommendations and associated out-year phases), the annual controlled maintenance funding goal of 1% was reached for the first time in twenty years.

The commitment of time, energy and expertise provided by facilities staff statewide towards planning, constructing, operating, maintaining and leasing of their facilities through varying economic cycles is noteworthy. The level of professionalism and pride is demonstrated through their stewardship of well-maintained facilities.

In closing, the OSA and the state agencies and institutions of higher education sincerely appreciate the essential role that the Capital Development Committee plays in acknowledging and supporting the need for annual capital construction and controlled maintenance funding.

Sincerely,

Lawrence J. Friedberg, FAIA
 State Architect



SECTION I: EXECUTIVE SUMMARY - STATE BUILDINGS PROGRAM

INVENTORY

■ **Gross Square Feet/Current Replacement Value:** The reported inventory of state owned general funded and academic buildings has increased by approximately 36% (12.1 million GSF) over the past twenty years, from 35 million GSF in FY99/00 to **47.6 million GSF** in FY18/19 with a Current Replacement Value (CRV) of **\$12.6 billion dollars**. (The CRV is derived from Risk Management insured values). Auxiliary funded and non-academic buildings have been reported at an additional 32.9 million GSF with an additional CRV of \$7.2 billion dollars and are not included in the calculations for number, age, facility condition or funding recommendations below.

■ **Number and Age of Buildings/Facility Condition:** Forty (40) state agencies and institutions of higher education are included in the inventory of state owned general funded and academic buildings as illustrated in **CHART A** comprising **2,385** buildings. Approximately 1,286 buildings, comprising 26.5 million GSF (56% of the total inventory) were constructed pre-1980. Of that, 1,029 buildings, 18.8 million GSF are pre-1970 (40% of the total inventory) and 700 buildings, 12.0 million GSF are pre-1960 (25% of the total inventory). Facility assessments conducted by the agencies and institutions to estimate building conditions were reported as follows: approximately 6% of the gross square footage (GSF) was within an FCI of less than 0.35 (poor condition), 20% was within an FCI of 0.35 to 0.60 (poor-fair condition), 50% was within an FCI of 0.60 to 0.85 (fair-good condition), and 18% was within an FCI of 0.85 to 1.0 (targeted condition). Conversely, **76% of the buildings assessed are or will be eligible for controlled maintenance funding**. A Facility Condition Index (FCI) rating of 1.0 is equivalent to a like new condition.

ANNUAL APPROPRIATIONS

■ **Historical Funding:** Capital construction appropriations over the last twenty years have been inconsistent due to a lack of available revenue as illustrated in **CHART A** on the opposite page and has resulted in controlled maintenance appropriations below recommended funding levels with the exceptions of FY 1999/00 and FY 2017/18. Industry guidelines (i.e. The Association of Higher Education Facilities Officers (APPA), 2016 report on Capital Renewal and Deferred Maintenance) continue to recommend an annual Reinvestment Rate (RR) of 2% to 4% of the CRV of a building inventory be dedicated for capital improvements to operate, maintain and renew to targeted levels. The Office of the State Architect continues to recommend, as a **goal**, an annual RR equivalent to **1% of the CRV** to address controlled maintenance and an **additional RR goal of 1% - 1.5% equivalent to 2.5% of the CRV** to address capital renewal/capital renovation project requests in existing buildings. Note that funding recommendations for capital construction (new facilities) are separate and in addition to the RR recommendations and do not impact existing facility conditions.

FY 2019/20 RECOMMENDATIONS

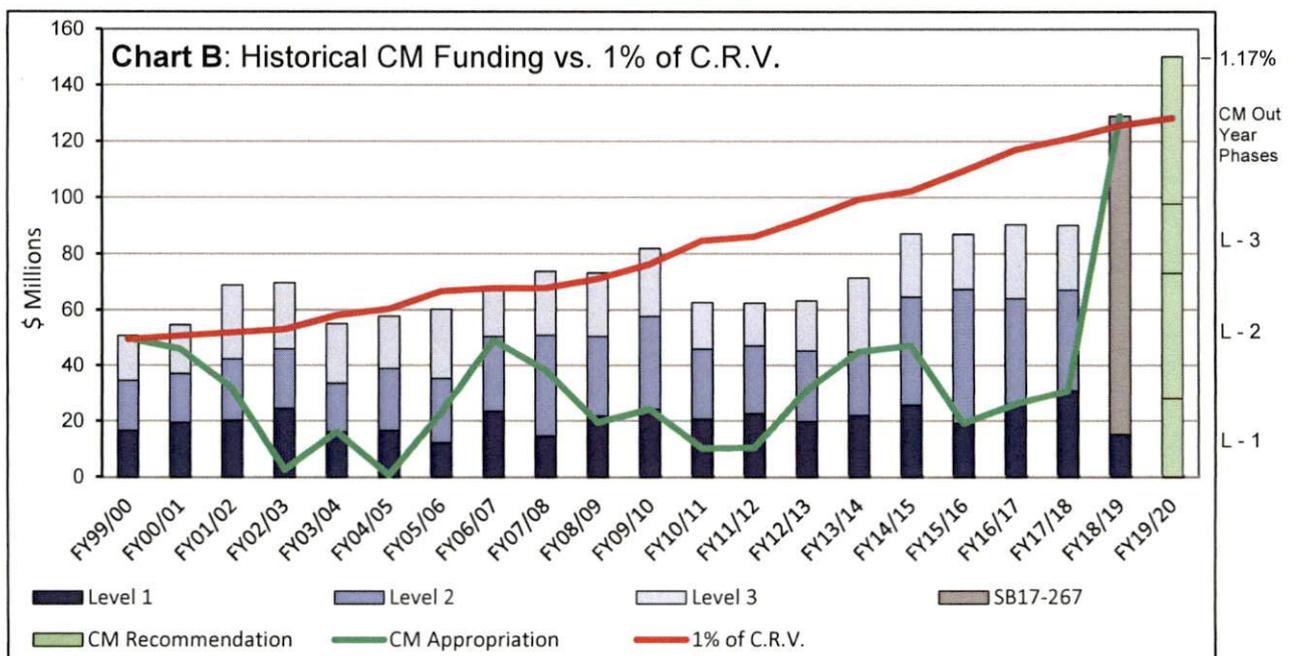
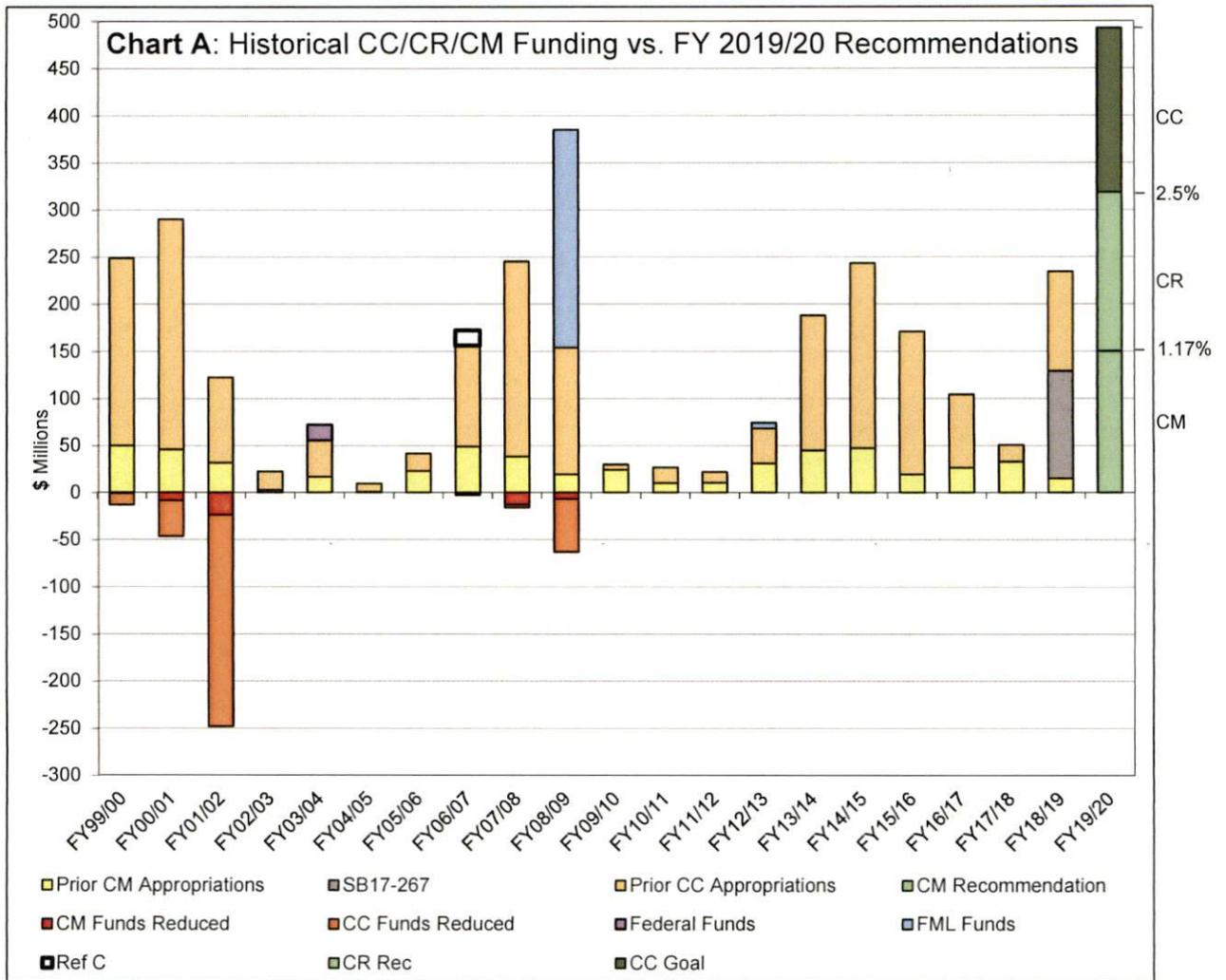
■ **Capital Construction Requests (New Facilities):** Six (6) capital construction project requests from state agencies were recommended by the OSA to the OSPB for a total of \$54,735,976, (Refer to SECTION II - A&B for project details). Six (6) capital construction project requests and five (5) other requests with capital construction components from institutions of higher education were recommended by The Colorado Department of Higher Education (CDHE) for a total of \$119,775,840. The combined recommendations from the OSA and the CDHE for capital construction project requests total **\$174,511,816** as illustrated in **CHART A** for FY 2019/20.

■ **Capital Renewal/Capital Renovation Requests (Upgrades to Existing Facilities):** Eight (8) capital renewal/capital renovation project requests from state agencies were recommended by the OSA to the OSPB for a total of \$82,350,104, (Refer to SECTION II - A&B for project details). Nine (9) capital renewal/capital renovation project requests and five (5) other requests with capital renewal/capital construction components from institutions of higher education were recommended by the Colorado Department of Higher Education (CDHE) for a total of \$85,947,510. The combined recommendations from the OSA and the CDHE for capital renewal/capital renovation project requests total **\$168,297,614** and as a RR would be equivalent to **1.33% of the CRV** as illustrated in **CHART A** for FY 2019/20.

■ **Statewide Controlled Maintenance Budget Request (Repairs to Existing Facilities):** One hundred and ten (110) prioritized project requests are recommended by OSA for FY 2019/20 as the *statewide controlled maintenance budget request* comprised of \$97,639,988 for current-year project requests and \$52,552,929 for fifty-eight (58) associated out-year project phases for a total of **\$150,192,917**, (Refer to SECTION II - C&D for project/phase details). As a RR, the budget request is equivalent to **1.17% of the CRV** as illustrated in **CHARTS A&B** for FY 2019/20. Controlled maintenance project requests fall into one of the following categories: life-safety, structural, heating-ventilation and air conditioning, electrical, plumbing, roofing, general maintenance and infrastructure. The recommended project requests are identified in each state agency and institution of higher education's five-year plan by fiscal year with a combined five-year plan total of **\$551,327,215** for FY 2019/20.

Combining capital renewal/capital renovation and controlled maintenance funding recommendations from CDHE and OSA for existing facilities totals **\$318,490,531** and as a RR is equivalent to **2.5% of the CRV**.

SECTION I: EXECUTIVE SUMMARY - STATE BUILDINGS PROGRAM

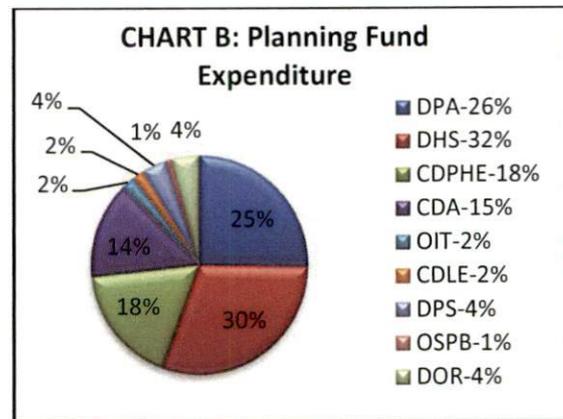
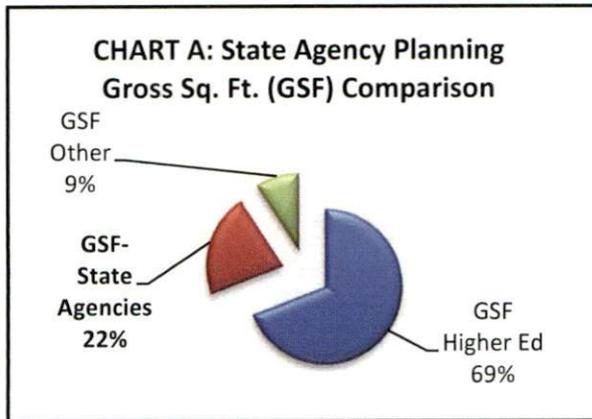


SECTION I: EXECUTIVE SUMMARY - STATEWIDE PLANNING PROGRAM

■ **Planning Program Established:** A management audit in 2012 identified that the State lacked “a comprehensive mechanism for long-term planning for its real estate assets. Such a mechanism could assist the State in its efforts to maximize the value of its real estate assets, reduce facility costs and support funding decisions.” In a subsequent master planning effort for the Capitol Complex, the consultant recommended strategies for addressing the issue. Ten peer state processes were analyzed which resulted in policy recommendations. In 2015, the State passed **SB15-270** along with an update to Section 24-1-136.5, CRS, which added the Statewide Planning Program (SPP) to the Office of the State Architect. These two updates coordinate the responsibilities of Executive Directors to establish planning efforts within their agencies and the State Architect to enact policies for the creation of state agency planning documents and a process for review, approval, and reporting. The result of this effort is a mission driven capital plan that maximizes the value of each capital investment by minimizing long term costs.

■ **Planning at State Agencies:** In 2015, the SPP developed and established the framework for a planning process for **15** State Agencies that parallels the requirements established by the Colorado Commission for Higher Education. These agencies occupy 22% of the total owned real estate as noted **CHART A**. SPP created and published guidelines, instructions and templates for the state agency process and submittal requirements for **Operational Master Plans (OMP)** that describe how Departments provide their service, **Facilities Master Plans (FMP)** which organizes all the Departments space needs, and **Facility Program Plans (FPP)** which analyze and describe project specific objectives, costs and schedule. These templates are currently available on the Office of the State Architect’s website. As part of the annual site verification visits of State facilities, SPP reviews the planning process to the State Departments that manage State owned real estate. (Refer to SECTION III - J). The process for reviewing state agency planning documents has resulted in the review of **3** Facility Program Plans from **2** State Agencies out of the **19** Capital Construction / Capital Renewal / Cash requests submitted this year. SPP has approved **2** as submitted and **1** has been conditionally approved.

■ **State Agency Planning Fund:** In 2015, the SPP selected a Statewide Planning Consultant that has been used to assist state agencies with implementing the requirements of the program. The Statewide Planning Consultant has implemented **29** task orders at **9** agencies totaling **\$2,048,253** for State Agencies as noted in **CHART B** which is approximately **53%** of the appropriated statewide planning fund to date (Refer to SECTION III - K). The task orders comprise a variety of planning efforts that included physical space planning, market and cost analyses, building assessments, Facility Program Plans, and agency program needs analysis.

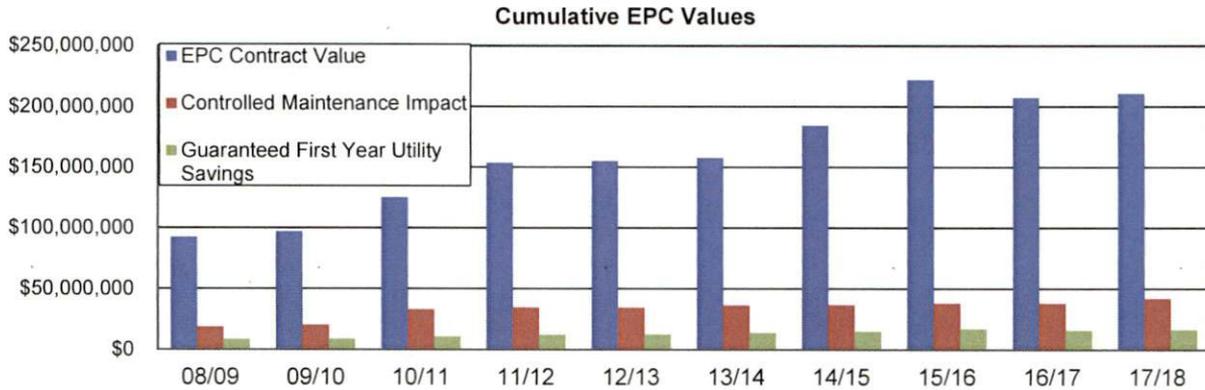


■ **Capitol Complex Master Plan:** As part of the Capitol Complex Master Plan completed in 2014, SPP is continuing efforts with DPA for a Facility Program Plan for the refurbishment of 1313 Sherman Street for a capital project request that will take place in a future fiscal cycle.

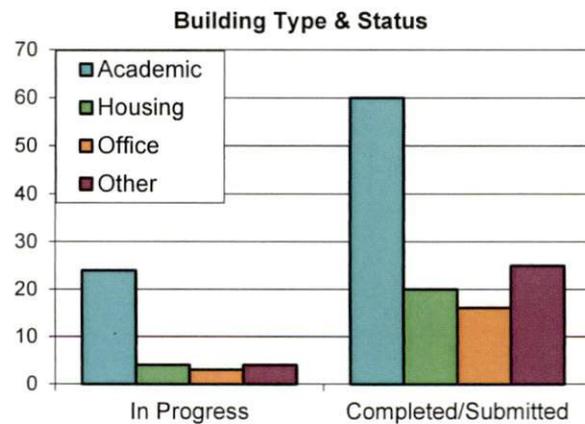
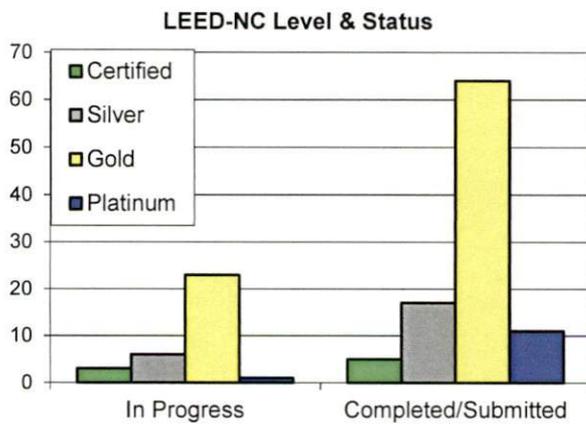
■ **Project Request Five Year Plans:** The reported controlled maintenance project request five year plan total for general funded state agency buildings and infrastructure is \$263,532,138 and for academic buildings and infrastructure is \$287,795,077 for a total of **\$551,327,215**. The reported Capital Construction/Capital Renewal project request five-year plan total for general funded state agency buildings and infrastructure is \$1,735,530,951 and for academic buildings and infrastructure is \$2,714,559,056 for a total of **\$4,450,090,008**, (Refer to SECTION III - L).

SECTION I: EXECUTIVE SUMMARY - ENERGY MANAGEMENT PROGRAM

■ **Energy Performance Contracts:** Energy Performance Contracts (EPC) are considered as an alternative funding source for energy related controlled maintenance for *existing buildings* for state agencies and institutions of higher education to improve facility conditions and increase energy/water efficiency. This process uses the utility dollars saved (avoided future utility cost) to pay for facility improvements over a specified time. The first EPC for the state of Colorado was implemented in 1996, and to date, most state agencies and institutions of higher education have completed or have under-way energy performance projects. Since the EPC program was implemented the cumulative total contract value of construction work is at **\$210,723,052** which includes the funding of **\$41,922,644** in identified controlled maintenance needs and a guaranteed first year utility savings of **\$16,280,955**. The chart below graphs the cumulative total values over the last ten fiscal years.



■ **High Performance Buildings and the Governor’s Executive Orders:** The High Performance Certification Program (HPCP) standards were adopted by the Office of the State Architect (OSA) to establish the design and construction guidelines for *new buildings* and buildings undergoing substantial renovations as required by Section 24-30-1305.5, C.R.S. The United States Green Building Council/Leadership in Energy and Environmental Design (USGBC/LEED) was the guideline chosen and the Gold level certification is the targeted goal of the HPCP. State agencies and institutions of higher education projects that started design work after January 1, 2010 are required to track and report utility data. Additionally, OSA works with the Colorado Department of Education on Building Excellent Schools Today (BEST) funded projects and the Department of Local Affairs on their grant programs for compliance with HPCP standards, (Refer to SECTION III - N). In 2017 the U.S. Green Building Council announced that, based on its analysis, Colorado ranked 2nd nationally for the number of LEED-certified environmentally friendly commercial and institutional buildings per capita.

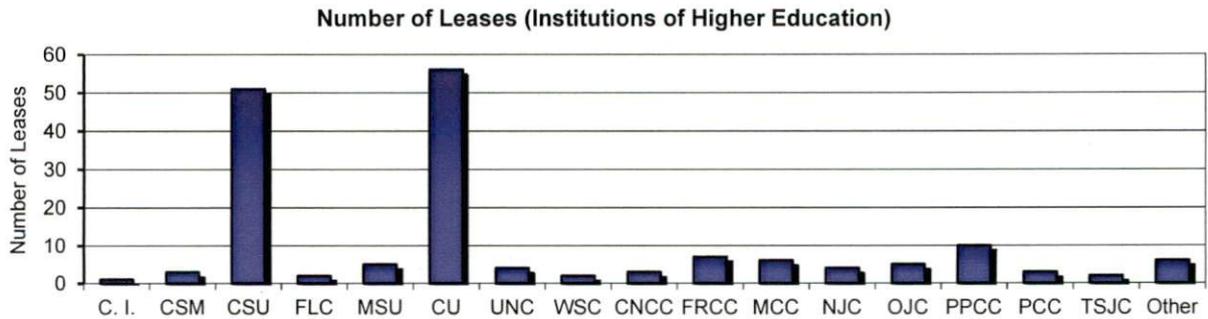
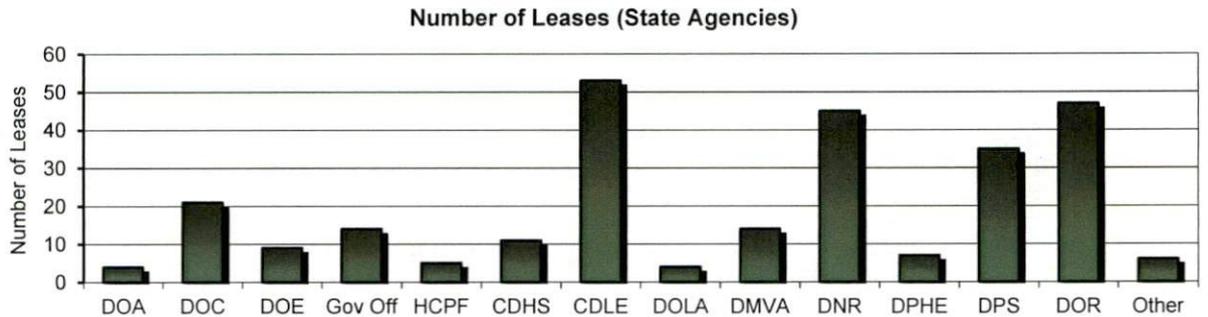


SECTION I: EXECUTIVE SUMMARY - REAL ESTATE PROGRAM

■ **Real Estate Services Vendor:** OSA established Fee Share as part of the Centralized Leasing process with the state's contracted real estate broker. The Fee Share has been used to lower the rent paid by agencies and institutions of higher education during the term of the lease. From July 2009-June 2014 the fee share started at 25% of the commission paid for by the landlord and in July 2014 was increased to **30%**.



■ **Leased Property:** As of November 2018 there were **445** commercial building lease agreements in FY 2017/18; comprised of 275 leases with state agencies and 170 leases with institutions of higher education. The commercial building leases comprised a total of 3,551,301 rentable square feet. The annual base rent paid by state agencies and institutions of higher education to third parties has increased over 50% in the last thirteen years from \$38,480,872 in FY 2005/06 to **\$58,788,018** in FY 2018/19. The chart below illustrates the number of leases by state agencies and institutions of higher education (Refer to SECTION III - Q).



■ **Interagency Leases:** There were **117** interagency leases in effect as of November 2018. These leases comprise a total of **1,536,397** rentable square feet. Interagency Leases generally include space within a state owned building being leased out to another state agency or institution of higher education. An example of this is the Capitol Complex Building Group. (Refer to SECTION III - R).

■ **Acquisitions and Dispositions:** **16** acquisitions and **4** dispositions of real property in FY17/18 were reported to the Office of the State Architect/Real Estate Program for state agencies and institutions of higher education (Refer to SECTION III - O).

■ **Vacant Facilities:** **127** buildings comprising **1,678,611** gross square feet statewide were reported as of November 2018. Each state agency and institution of higher education has provided an individual Vacant Facility Management Plan for each building on this list with an explanation of why the building is vacant and the future plan for the facility use or demolition. (Refer to SECTION III - P).