

STATE OF ALASKA

DEPARTMENT OF ADMINISTRATION

Division of General Services

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Briefing Paper AMHTA Support Office Building

The Issue: The State is leasing or owns three buildings in Juneau which house State employees. These facilities are very old and in need of significant upgrades. All three buildings provide approximately 116,000 square feet of office space for 525 employees.

The Opportunity: The Alaska Mental Health Trust Authority (AMHTA) has offered to construct a new office building on its land at the former Support area. The new office building would accommodate all of the employees currently occupying the three buildings in question.

Cost to the State:

Option 1: Enter into an agreement with AMHTA to construct a new office building with surface parking on the site of the old Support warehouse.

Estimated Cost: \$160,439,082 (Lease payments to AMHTA over 30 years)

Action Required: Legislation that allows use of \$22.7 million Mental Health Trust funds, currently invested by the Permanent Fund Corporation, and \$22.7 million in state bond proceeds to construct the building.

Option 2: Remain in the two state-owned facilities and procure a replacement lease for the Department of Labor.

Estimated Cost: \$173,956,264 (Cost calculated for a 30-year period for comparison)

Action Required:

- a. Repair and bring into code compliance the two existing state-owned buildings.
(These will remain functionally obsolete buildings that will continue to need ongoing repair and maintenance or replacement during the lease period.)
- b. Issue a request for proposals (RFP) for a new lease for the Department of Labor.

Justification:

Department of Labor (DOL):

This existing 68,278 square foot lease for DOL expires 6/30/12 and currently accommodates 304 state employees. Since 1982, the DOL occupants have experienced water intrusion, flooding, mold growth, roof leaks, ponding in the parking lot, windows falling out, carpenter ants, etc. Numerous employees have become ill, grievances have been filed by unions and a number of employees have been moved to alternate space outside the facility due to these conditions. An alternate facility, either built by AMHTA or procured through a RFP is necessary. DOA and DOL prefer to vacate the existing facility and relocate all DOL employees to the new AMHTA building by 7/1/12.

Department of Fish & Game (DFG) & Department of Corrections (DOC):

Both agencies are located in a state-owned facility: the Douglas Island Building constructed in 1961. It contains 31,816 square feet and accommodates 187 employees. The building is in dire need of major capital improvements including complete replacement of the building envelope to eliminate and prevent rain, wind and snow from entering the building. The total current estimated deferred maintenance cost is \$5.8 million.

DOA and tenant agencies prefer to vacate this facility and reuse it for a new defined purpose, or demolish the facility at an estimated cost of \$375,000. All DFG and DOC employees would relocate to the new AMHTA building by 7/1/12.

Department of Public Safety (DPS) & Office of Administrative Hearings (OAH):

Both agencies are located in a state-owned facility: the Public Safety Building constructed in 1970 as a temporary structure. It contains 16,103 square feet and accommodates 34 state employees. The facility currently requires major electrical upgrades and code compliance improvements, a new roof, and other repairs. The total current estimated deferred maintenance cost is \$2.5 million. DOA and tenant agencies prefer to vacate the facility and relocate to the new AMHTA building 7/1/12.

Future Plans:

The State could demolish the Public Safety Building (at an estimated cost of \$180,000) and AMHTA could construct a new parking garage at that location. The garage would accommodate approximately 360 vehicles. It would be used by state employees during the day and be open to the public during non-business hours. This would allow future development of the Support site by AMHTA.

Detailed Cost Information:

Current Lease/Building Operating Costs:

Lease #1607 & 1632	68,278 sf	exp 6/30/12	\$2.33 sf	\$1,909,052 annually	DOL Offices (parking included)
Lease #1951	NA	exp 2/28/10	NA	\$ 6,451 annually	DIB Surface Parking
Lease #2529	NA	exp 8/31/09	NA	\$ 12,600 annually	DIB Surface Parking
Public Safety	16,103 sf	exp n/a	\$1.22 sf	\$ 235,748 annually	DPS, DOA Offices
Douglas Island Bldg	31,816 sf	exp n/a	\$1.07 sf	\$ 408,517 annually	DOC, F&G Offices
Totals:	116,197 sf			\$ 2,572,368 annually	

Projected Private New Labor Lease Cost:

New Private Lease	68,280 sf at \$4.00 sf	\$ 3,277,440 annually
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Total Projected Public Safety Building Costs thru 6/42: **\$ 21,602,392**

Total Projected Douglas Island Building Costs thru 6/42: **\$ 38,731,192**

Total Projected Costs 2013 – 2042:

Scenario A: AMHTA building not constructed.

1. DOL replacement lease	\$ 112,083,682
2. DIB parking leases	1,538,458
3. Douglas Island Bldg Operating and Capital	38,731,192
4. Public Safety Bldg Operating and Capital	<u>21,602,932</u>
Total Scenario A:	\$ 173,956,264*

*Cost estimate does not include likely replacement of the DIB and DPS buildings at some point during the 30-year period.

Total Projected Costs 2013 – 2042:

Scenario B: AMHTA building constructed.

1. AMHTA lease	
Total cost will depend upon state bond financing rates.	\$160,439,082**

**Estimate includes repayment of bond proceeds with interest over 20 years and rent payments over 30 years.

Building Purpose:

Office occupancy for State Agency's: DOL, DF&G, OAH, DPS, DOC (approximately 525 employees).

AMHTA Lease Information:

20 year base term with (2) 10-year options

Parking, maintenance and standard services (janitorial, etc.)

Rate: to be determined (estimated range of \$3.80 - \$4.20 usf)

111,128 usf – State offices

10,000 usf – Private retail on first floor

Four-story facility

Energy Conservation Considerations:

- A heat pump system using either water from Gastineau Channel or the heat from the earth below the building from tubing in the piling or in boreholes. The NOAA Building at Lena Point is incorporating a system using water from the ocean and both the Juneau Airport expansion and the Dimond Park Swimming Pool which will be under construction this spring will use a ground source for the heat pump system.
- A Life Cycle Cost Analysis will be performed to select the optimum insulating values for the exterior envelope of the building including the roof, walls, windows, doors and the concrete floor slab. This analysis will also evaluate the heating, ventilation and lighting systems to achieve efficiencies and lower operating costs in all the building systems.
- The Coast Guard is exploring the use of both wind generated energy at the site and constructing a biomass generation plant to serve their facilities. MHLT will explore opportunities for partnering.
- MHLT will also explore the opportunity to capture waste heat from lighting and/or computer server room cooling systems to offset the heating requirements for the building.