



CAPITOL COMPLEX
MASTERPLAN

DENVER,
COLORADO

07

MASTER PLAN RECOMMENDATIONS

7.1 - INTRODUCTION

Overview

As part of the overall master plan, the team conducted an assessment of existing agency locations and space utilization. One outcome of this study determined that approximately 700,000 square feet of State agencies are currently located in leased office space in the downtown area nearby the Capitol Complex.

The master plan team undertook a build/buy/lease analysis to determine the costs and benefits of different scenarios for placing the agencies in leased or State owned space. This study referenced interviews with the agency directors and deputy directors. It took into consideration the individual agencies space needs and growth requirements based upon their program needs as well as historical expansion and reduction of agencies size.

It is significant to note that entire agencies such as the Department of Regulatory Agencies and the Department of Higher Education and half of the Department of Labor and Employment are located in leased space. The Secretary of State and the Unclaimed Property Office of the Department of Treasury are in leased rather than owned space. And finally, several of the organizational units of the Governor's Office, which have been in existence for over a quarter of a century, including the Office of the Governor's Economic Development and International Trade and Energy Office as well as more recently created Office of Information Technology, are in leased space as well. All of these entities perform on-going functions of State government. These agencies were recommended to be consolidated in State-owned space while agencies having expanding needs are recommended to be consolidated in leased space.

Additional areas of the analysis included facility renovations, urban design recommendations, and benchmarking recommendations with a focus on organizational structure. The recommendations that resulted from this master planning process are listed in section 7.6 (page 7-15) along with estimated costs and project duration.



7.2 - BUILD/BUY/LEASE ANALYSIS

Methodology

The Build/Buy/Lease analysis conducted for the master plan is a comparison of the options that the State has regarding how its office space requirements are structured based on real market alternatives: leased space (status quo), build to suit office space or purchase of existing office space. The analysis was conducted by the master plan team in the fall of 2013 and then updated in August 2014. It compares costs both on a short term and long term basis.

It is important to note that the Denver commercial real estate office market is dynamic and fluid and therefore inherently fluctuating as are construction costs. The findings of this analysis are a point in time comparison of the opportunities available at the time of the study.

Assumptions

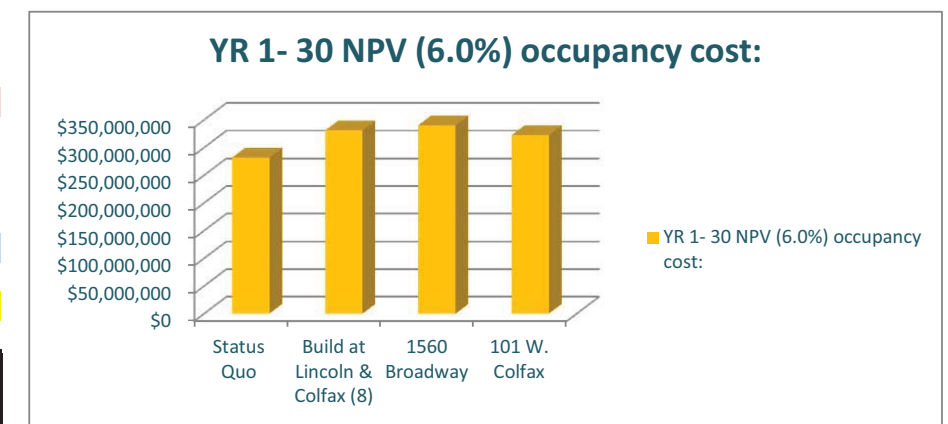
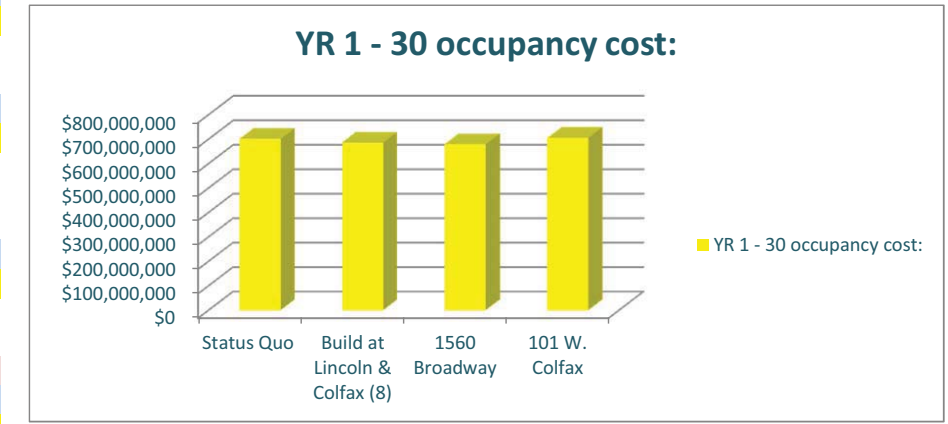
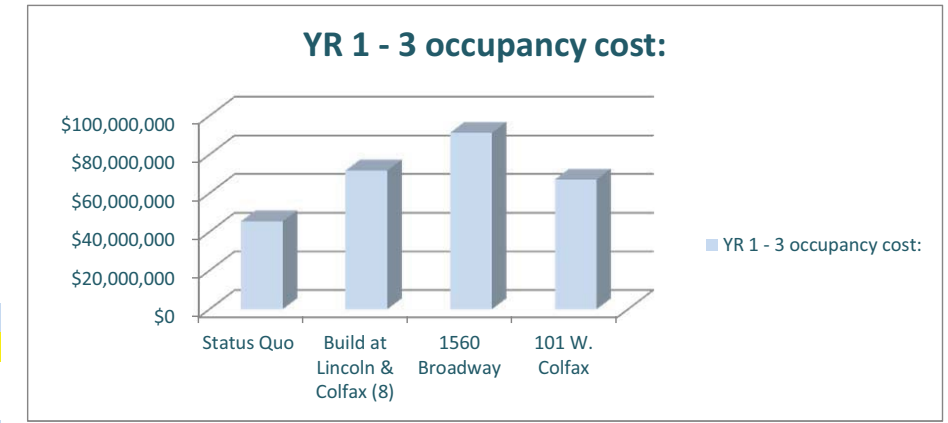
These assumptions were applied to the three options:

- The analysis evaluated the approximately 700,000 rentable square feet (RSF) of office space that is leased in downtown Denver and the surrounding metropolitan area.
- Market based assumptions for lease rates were provided for the Lease scenario. Estimated purchase prices for available market properties (1560 Broadway and 101 W Colfax) were calculated for the Buy scenarios. (Note: Due to the changing market, these properties are no longer viable purchase scenarios. At the time of the analysis, these buildings had adequate available space for State agency needs. At the time of publication of the Master Plan, non-State entities had occupied much of the available space, making the properties less efficient and desirable for purchase). Parking income assumptions, operating expense assumptions based on privately held buildings in downtown Denver, third-party tenant rental revenue (based on landlord provided rent rolls) and renewal fund assumptions (for purchase scenarios with third-party private sector tenants) were evaluated.
- COP financing assumptions for the Build scenario are based on input from the State Treasurer's Office.
- Cost estimating was provided for all construction and fit-up assumptions and annual capital renewal reserves.
- The alternatives were evaluated over short term and long term scenarios for costs and returns (3 and 30 years).
- The status quo (leasing scenario) contemplates that the various State tenants currently in leased space (approximately 700,000 RSF) continue to lease, and the market increases at 3% per year (based on full service gross rates, before the property tax reduction is deducted).
- The purchase scenario used 1560 Broadway and 101 W Colfax as potential options for purchase. 1560 Broadway is a building totaling approximately 598,000 RSF and is proximate to the Capitol Complex. 101 W Colfax is a building totaling 305,000 RSF and is located proximate to the Capitol Complex. COP financing was assumed based on an estimated market purchase price and the income from the various existing private tenants was included. This scenario also assumes that a \$8.6M parking garage is constructed to meet parking demand.
- The build scenario contemplates that the Colfax and Lincoln site is developed with a 493,000 RSF/ 567,000 GSF office building. Construction pricing was based on an evaluation by the cost estimating team.
- The analysis received ongoing input from the Office of the State Architect.

7.2.1 - FINANCIAL EVALUATION

Line		Status Quo	Build at		
			Lincoln & Colfax (8)	1560 Broadway	101 W. Colfax
1	Owned building RSF:	0	493,000	598,592	305,667
2	Continued 3rd party leased space (after 3rd parties vacate):	704,221	211,221	105,629	398,554
3	Total tenant pool:	704,221	704,221	704,221	704,221
4					
5	Financed Costs				
6	Assumed closing /start date: (1)	7/1/2016	7/1/2016	7/1/2014	7/1/2014
7	Purchase / build price / RSF (w/ parking):	N/A	\$315.65	\$250.00	\$385.00
8	Purchase / build price (w/ parking):	N/A	\$155,615,450	\$149,648,000	\$117,681,795
9	Space fit-up / RSF: (2)	N/A	\$55.00	\$45.00	\$25.00
10	Space fit-up: (2)	N/A	\$27,115,000	\$26,936,640	\$7,641,675
11	Total amount financed:	N/A	\$182,730,450	\$176,584,640	\$125,323,470
12	Annual debt service , COP or other bond financing:	N/A	\$15,709,652	\$15,181,286	\$10,774,275
13					
14	YR 1 - 3 debt service:	N/A	\$47,128,957	\$45,543,859	\$32,322,825
15	YR 1 - 20 debt service (debt is fully amortized after 20 years):	N/A	\$314,193,047	\$303,625,729	\$215,485,503
16					
17	Operating Expenses:				
18	YR 1 - 3 building opex: (3)	N/A	\$12,130,265	\$16,822,530	\$8,520,981
19	YR 1 - 30 building opex: (3)	N/A	\$173,152,261	\$213,953,657	\$110,690,343
20	Annual capital renewal reserve:	N/A	\$1.75	\$3.00	\$2.75
21	Total annual capital renewal reserve:	N/A	\$862,750	\$1,795,776	\$840,584
22	YR 1 - 3 capital renewal reserve:	N/A	\$2,588,250	\$5,387,328	\$2,521,753
23	YR 1 - 30 capital renewal reserve:	N/A	\$25,882,500	\$53,873,280	\$25,217,528
24					
25	Third Party Tenant Income:				
26	Duration of third party income: (4)	N/A	N/A	Through 6/30/20	Through 4/30/23
27	YR 1 - 3 estimated third party income:	N/A	N/A	(\$13,874,380)	(\$4,156,211)
28	YR 1 - 30 estimated third party income:	N/A	N/A	(\$27,247,882)	(\$16,159,544)
29					
30	Parking:				
31	Garage Construction @ 1555 Sherman (1560 Broadway scenario only):	N/A	N/A	\$8,600,000	N/A
32	YR 1 - 3 Parking Income: (5)	N/A	(\$3,776,220)	(\$517,260)	(\$4,329,000)
33	YR 1 - 30 Parking Income: (5)	N/A	(\$37,762,200)	(\$14,483,280)	(\$43,290,000)
34					
35	Up Front Cash Funded Items:				
36	3rd party lease cost reserve fund: (6)	N/A	\$0.00	\$13.53	\$7.44
37	Total 3rd party lease cost reserve fund: (6)	N/A	\$0	\$8,101,450	\$2,275,000
38					
39	Continued 3rd Party Leased Space in Denver CBD:				
40	Continued 3rd party leased space (AVG over 30 Years):	704,221	211,221	146,363	418,054
41	YR 1 - 3 blended average lease rate: (7)	\$21.50	\$21.50	\$21.50	\$21.50
42	YR 1 - 3 blended average lease cost: (7)	\$45,420,927	\$13,623,356	\$21,192,199	\$29,898,359
43	YR 1 - 30 blended average lease rate: (7)	\$33.14	\$33.14	\$33.14	\$33.14
44	YR 1 - 30 blended average lease cost: (7)	\$700,062,723	\$209,973,784	\$132,282,191	\$409,831,293
45					
46	YR 1 - 3 occupancy cost:	\$45,420,927	\$71,694,608	\$91,255,727	\$67,053,708
47	YR 1 - 30 occupancy cost:	\$700,062,723	\$685,439,393	\$678,705,145	\$704,050,122
48	YR 1 - 30 NPV (6.0%) occupancy cost:	\$281,722,360	\$330,768,342	\$340,290,405	\$322,081,793
49					
50	If General Fund funded (no COP financing):				
51	Initial appropriation (build/purchase price plus fit up+1560 garage):	N/A	\$182,730,450	\$185,184,640	\$125,323,470
52	YR 1 - 30 occupancy cost if 100% cash funded:	\$700,062,723	\$553,976,796	\$551,664,055	\$613,888,089
53					
54	Residual Value (est. 75% of purchase price + fit up):	\$0	(\$137,047,838)	(\$132,438,480)	(\$93,992,603)

Financing Assumptions:
 COP amortization schedule: 20 years
 COP interest rate: 6.00%



= Costs applicable to both YR 1 - 3 and YR 1 - 30 scenarios
 = Cost amounts applicable to YR 1 - 3 scenario
 = Cost amounts applicable to YR 1 - 30 scenario



Notes

- (1) Anticipates a new building at Colfax Avenue and Lincoln Street would be complete 7/1/16 and therefore the consultant team structured the status quo option beginning 7/1/16. Both existing buildings are assumed to close 7/1/14.
- (2) For all scenarios (except for Status Quo), includes architectural design, tenant improvements and information technology. Does not include furniture (new or used), move management, or escalation. Assumes comparatively less fit up costs would be required at 101 W Colfax (estimate of \$25.00 / RSF) as the building is relatively new and the furniture would potentially be available.
- (3) Assumes \$8.00 / RSF net of taxes for all scenarios, 2.5% annual increases. For 1560 Broadway, assumes \$3.22 / RSF current property taxes, State occupancy at 100% by 2020 (no property taxes paid after that date). For 101 W Colfax, assumes \$5.12 / RSF current property taxes, State occupancy at 100% by 2024 (no property taxes paid after that date).
- (4) Date of last expiring third party leases. Assumes all existing leases expire at scheduled dates; renewal options in third party leases are not exercised.
- (5) For 101 W Colfax, assumes \$185 per space per month, 650 spaces. For Colfax & Lincoln, assumes \$185 per month, 567 spaces. For 1560 Broadway, assumes construction of a new garage for \$8.6M (incurred in 2015). Assumes \$185 per month, 233 spaces (assumes no income until 2016 to allow for construction time).
- (6) Reserve fund to cover transaction costs should third party tenants exercise their renewal options. Assumes worst case, i.e. all third-party tenants (231,470 RSF @ 1560 Broadway and 65,000 RSF @ 101 W Colfax) exercise their renewal options at an average of \$35.00 / RSF in required transaction costs (conservative estimate).
- (7) Blended average lease rate projections for all 704,221 RSF of leased space starting 7/1/16. Includes existing rents through expirations as applicable, future projections, and annual gross rate increases (property tax reduction) of 3.0% through the analysis term.
- (8) Assumes Colfax and Lincoln new building would be 567,000 GSF, 493,000 RSF.
- NOTE: 1290 Broadway (Security Life / ING Building) was contemplated for this analysis. However, only 66,000 RSF of vacancy exists in the building and the seller is very unmotivated which would result in comparatively expensive economics.

7.2.2 - LEASE OFFICE SPACE

Status Quo - Leased Space

Leasing in the Denver CBD market and surrounding areas is a viable alternative and is the “Status Quo” scenario in the analysis given the approximately 700,000 RSF of leased space contemplated in the analysis. Lease rates fluctuate as the market phases through cycles. These cycles are driven by supply and demand and are impacted by national and local economies, vacancy rates, absorption rates and development activity. Currently these factors are producing upwards pressure on lease rates and Denver is in a “rising market” phase office market cycle which is driving up lease rates.

Because the Denver office market is inherently cyclical, pricing reductions will almost certainly occur when the market enters a “falling market” phase at some time in the future. However, since the state of Colorado’s outlook is long term we have conservatively assumed a 3% annual increase based on 2016 pre-property tax reduction lease rates (contractual or forecasted) over the full 30 year analysis term.

Required Steps

1. Negotiate lease renewals for agencies located at 1560 Broadway.
2. Maintain existing downtown leases and expand as needed into additional leased space when necessary.

PROS

- Requires least amount of up-front cash investment; lease costs are included in agencies' annual lease line budget appropriation
- Space flexibility – easier to expand or contract leased space vs. owned space
- Preserves the Colfax and Lincoln site as the last large State owned development site in the Capitol Complex for future development
- Less disruption to agencies' operations

CONS

- Subject to market lease rate cycles – significant potential for lease rates to substantially increase in a short period of time
- Unpredictable long range budgeting for leasing terms beyond 10 years
- No residual value
- Agencies are not collocated with resulting inefficiency
- Higher cost to the State after approximately 30 years based on stated assumptions



7.2.3 - BUILD AT LINCOLN AND COLFAX

New State Office Building

The Build option proposes a new State office building located at the Lincoln and Colfax site. Preliminary studies estimate that a building located on this site could yield approximately 567,000 GSF/493,000 RSF with structured parking and ground level retail uses. The building would have long term financial advantages over a 30 year period and allows the State to consolidate agencies which are currently located in multiple locations into a single location, which promotes operational efficiency, proximate to the Capitol.

Required Steps

1. Obtain short term lease renewals for functions ultimately moving into new construction.
2. Begin design and construction of new building at the Lincoln and Colfax site.

Financing Options

The Lease vs. Buy vs. Build analysis contemplates essentially 100% COP financing and is based on assumptions provided by the State Treasurer's Office. This form of financing would likely be the more cost effective alternative when compared to traditional financing. Alternative financing exists primarily in the form of various public / private partnership ("P3") structures.



PROS

- High quality office building located within Capitol Complex
- Fixes long term occupancy costs (except for operating expenses)
- Avoids exposure to current and future lease rate market increase
- Tangible asset owned free and clear once the debt is exhausted
- Potential to accommodate most of the existing State downtown tenants currently in leased space
- Collocation efficiencies
- New building can include structured parking to address parking shortage

CONS

- Comparatively high development costs; less of a concern given the State's long term (30+ year) outlook
- Some upfront investment is required

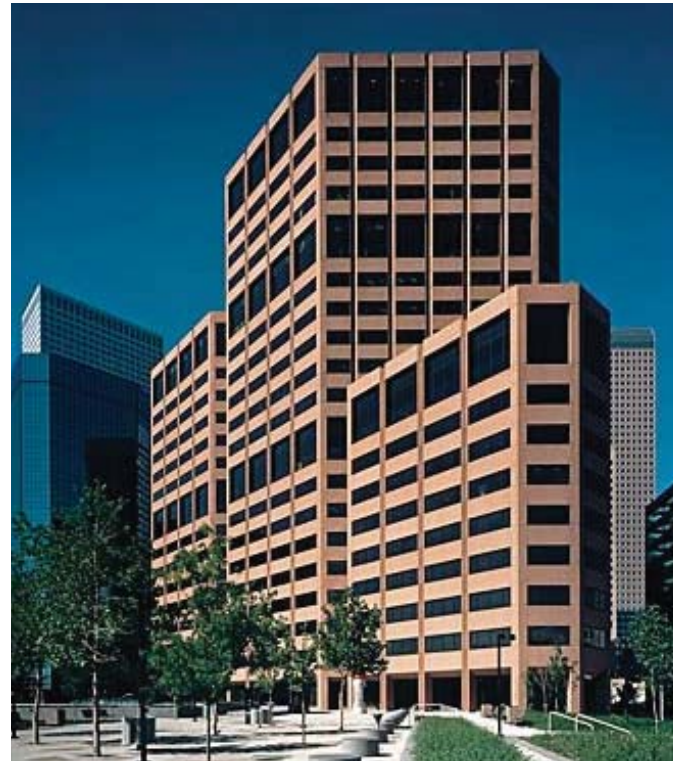
7.2.4 - BUY 1560 BROADWAY

1560 Broadway

The acquisition of 1560 Broadway, an existing location nearby the Capitol Complex and one that is currently home to several agencies occupying leased space, would solve many of the State’s needs for space. Multiple State agencies currently lease space within the building; however, complicating the purchase, several private sector tenants have long term leases in the building which would require the State to become a landlord until these leases expire. The building is over twenty-five years old and may require ongoing maintenance in the future. Additionally, the building does not include parking. Parking for agencies at this location would have to be accommodated elsewhere.

Required Steps

1. Get short term lease renewals for all functions ultimately going into 1560 Broadway.
2. Move agencies into 1560 Broadway as space becomes available through tenant vacancies.
3. 1555 Sherman Street - Construct proposed parking garage to create 233 additional spaces to meet the need for additional parking in the downtown campus.



1560 Broadway Identified as a Potential Buy/Lease Option

NOTE: Due to the change in available space within this building and changing market conditions this property is no longer a viable purchase option.

PROS

- Quality (Class B) office building is located adjacent to the Capitol Complex
- Building could be purchased for less than replacement cost
- State of Colorado already occupies approximately 257,000 SF (43%) of the building
- Approximately 60,000 SF (10%) is vacant
- Could provide swing space – temporary space for State agencies to occupy if State owned space is being renovated
- Fixes long term occupancy costs (except for operating expenses)
- Avoids exposure to current and future lease rate market increases
- Tangible asset owned free and clear once the debt is exhausted
- Preserves the Colfax and Lincoln site as the last State owned development site in the Capitol Complex for future development
- One-time opportunity within the Capitol Complex – willing seller
- Building large enough to house downtown State tenants currently in leased space

CONS

- Existing tenant renewal rights out to 2025 - would phase in State tenancy subject to existing third party tenants vacating the building at lease expiration
- Some upfront investment is required
- No parking (although this scenario includes the construction of a parking garage at 1555 Sherman with 233 spaces)

7.2.5 - BUY 101 W COLFAX

101 W Colfax

101 W Colfax would present several of the same challenges as 1560 Broadway with further complications. The Denver Post master leases the facility through September 2029 (a buyout would need to be negotiated) and has two (2) long term subtenants in approximately 100,000 RSF. The building totals approximately 305,000 RSF. The State would be required to manage these leases until their expiration.

Required Steps

1. Get short term lease renewals for all functions ultimately going into 1560 Broadway.
2. Move agencies into 101 W Colfax as space becomes available through tenant vacancies.



101 W Colfax Ave Identified as a Potential Buy/Lease Option

NOTE: Due to the change in available space within this building and changing market conditions this property is no longer a viable purchase option.

PROS

- High quality (Class A) headquarters type office building located near the Capitol Complex
- If Denver Post vacates, approximately 200,000 SF available
- Could provide swing space – temporary space for State agencies to occupy if State owned space is being renovated
- Fixes long term occupancy costs (except for operating expenses)
- Tangible asset owned free and clear once the debt is exhausted
- Preserves the Colfax and Lincoln site as the last State owned development site in the Capitol Complex for future development
- Includes 650 parking spaces

CONS

- Smaller building (305,000 SF) vs. Colfax & Lincoln or 1560 Broadway (approximately 598,000 SF)
- Open floor plans not compatible with typical State uses
- Relatively high estimated purchase price
- Acquisition complexity – Denver Post would need to negotiate a buy-out with the current owner (American Properties) – American Properties may be unrealistic about the market value of the property
- Some upfront investment is required

7.3 - OVERALL RECOMMENDATIONS

Outcome of Build/Buy/Lease Analysis

This analysis indicated that, in the short term, the leasing of office space has certain financial advantages. However, the master plan took into consideration the history of agencies located in the downtown and found that many of the agencies located in leased space perform on-going (not short-term) functions of State government and have been located in leased space for long durations. It is the recommendation of the analysis that based upon the rising demand for leased space and the rising market costs that the State would realize long term savings if these agencies were to be relocated in owned space. The findings of the analysis also concluded that it would be advantageous for the State to build space suited for its needs rather than to purchase office space which was not specific to the requirements of the State and which would entail the State having to manage multiple private sector leases.

Formulation of the Recommendations

The recommendations were built upon the examination of agencies' space requirements, building assessments, urban design analysis of the downtown Capitol Complex, benchmarking of comparable states, and the outcomes of the build/buy/lease analysis. The hierarchy of the recommendations addresses the State's needs as identified in the master planning effort and seeks to create greater levels of efficiency and effectiveness within state agencies by organizing them in right sized facilities which are economical, reflective of the agency's needs, and which better serve the public. Recommendations addressing the urban design seek to create an active and user friendly campus within the downtown Capitol Complex that has a distinct identity but which is also interwoven with the surrounding urban fabric.



AGENCY RECOMMENDATIONS

Through the analysis of existing space usage and the projection of future space needs, several recommendations were formulated for the distribution and relocation of State agencies and their employees. Leased space was found to be advantageous for the few agencies experiencing changes in levels of employment and programming in order to better address the fluctuations they experience. Conversely, entire departments and programs are recommended to be located in State-owned facilities.

As a result of this analysis and the increased need for State-owned space located in the downtown Capitol Complex, a new building of approximately 567,000 gross square feet is recommended for consideration. This new facility would accommodate a large portion of the space needs of agencies currently located in leased space. In addition recommendations for the right-sizing of employee work spaces and space standards have been suggested based on employee position and need.

FACILITY RECOMMENDATIONS

Due to a history of deferred maintenance and a backlog of capital improvement needs, many of the Capitol Complex buildings are in need of upgrades and, in certain cases, comprehensive renovations. Though all buildings under the purview of Capitol Complex Facilities group have maintenance needs to return them to efficient operating condition, several buildings in particular require immediate, critical upgrades.

The master plan recommendations list the buildings which require systems and facility maintenance; eight buildings require immediate attention. The issues facing these facilities have potential impact on the life safety of visitors and tenants, loss of use of the facility, and the functionality of the facility. In order to address the current and ongoing maintenance and renovation needs of the Capitol Complex, the State should consider a dedicated source of funding. It is recommended that an amount equal to 1.5 to 2% of the replacement value of existing assets be allocated for maintenance purposes.

URBAN DESIGN RECOMMENDATIONS

The Capitol Complex currently functions as a single-use district. The cumulative effect of the State-owned buildings and the other public institutions in the area create a district that is active during weekday work hours and comparatively vacant during evenings and weekends. Several recommendations were formulated with the goal of activating the campus; these include the integration of retail and residential uses within the Complex.

The ease and clarity of access and mobility around the district is another issue facing the downtown campus. The location of the Capitol adjacent to busy arterial streets and the lack of signage and wayfinding make pedestrian access among State-owned and surrounding districts difficult. To address these issues, recommendations for the creation of a pedestrian-oriented, multi-modal (vehicle, bicycle, and pedestrian) mall along Sherman Street, the installation of a comprehensive wayfinding and signage package, and the improved crossings over Colfax Avenue are recommended for consideration by the State.

BENCHMARKING RECOMMENDATIONS

Through research, interviews and benchmarking of facility management, best practices of other states were studied.

This benchmarking exercise has been compiled into a series of recommendations intended to refine efficiency and organization of the current structure. These suggestions include the integration of the Office of the State Architect with a dedicated planning function and the Capitol Complex Facilities group into a single division which would coordinate capital planning and maintenance. The planning function could also provide support to OSPB.

Additional considerations would include a statutory requirement for the preparation and updating of a State-wide long range facilities plan, tracking and monitoring facilities operations and maintenance budgets to aid in planning for future needs, using BOMA (Building Owners and Managers) published standards for the benchmarking of lease rates and maintenance cost, and the use of alternative financing structures allowing for tax-exempt bonds for development.

7.4 - PRIORITY RECOMMENDATIONS

NEW BUILDING AT COLFAX & LINCOLN



Currently a number of entire State agencies and offices are located in leased office space. Relocating these agencies into owned space would save the State money over the long term and remove agencies from the rising costs of the private lease market in downtown. The construction of a new facility on the State-owned site on the northeast corner of Lincoln Street and Colfax Avenue would provide an opportunity to consolidate entire State agencies and offices from private leased space into efficiently configured owned space. Additionally, this would provide an efficient and easily accessible location for agencies that require convenient access to the Capitol Building. As an urban design element, this proposed building would create a strong gateway between downtown Denver and the Capitol Complex and improve the pedestrian experience on Colfax Avenue. The proposed building would be approximately 567,000 gross square feet and cost approximately \$189 million in 2014 dollars.

CAPITOL MALL



The purpose of the Capitol Mall is the creation of a central unifying element that will act as a connective feature in tying the downtown Capitol Complex Facilities-managed properties together and the creation of a more cohesive campus environment with enhanced pedestrian accessibility and an improved experience for visitors and daily users. The Sherman Street mall would be an identifiable central element featuring landscape, lighting, hardscape, building signage and pedestrian wayfinding improvements as well as improved pedestrian crossings at key intersections on Colfax Avenue. State-owned, underused or vacant sites along Sherman Street provide future opportunities for mixed-use development, including a State-occupied building at Lincoln and Colfax with ground floor retail/restaurant use.

CAPITOL ANNEX RENOVATION



The Capitol Annex, at 1375 Sherman Street, is in extremely poor condition. Maintenance has been deferred and the building is in urgent need of renovation. The main concerns are related to an almost non-functioning HVAC system, the presence of asbestos, a deteriorated roof, single glazed windows, and handicapped accessibility, building code compliance and energy efficiency issues and the near failure of exterior and some interior finishes in this historic 1937 structure. The energy upgrades would generate significant cost savings in future years. The new HVAC system along with space planning based on the recommended space standard would allow better utilization of the building. Due to the asbestos, the Department of Revenue (DOR), the building's tenant, would need to vacate the building for the duration of the renovation. After the renovation is complete, DOR would return to the building to be the sole long term occupant. The spaces will be right-sized to accommodate the department's needs. Renovations for this building would cost approximately \$31 million in 2014 dollars.

CENTENNIAL BUILDING RENOVATION



Similar to the Capitol Annex, the Centennial Building, located at 1313 Sherman Street, has not experienced a complete renovation since its construction in 1976. The significant issues include a poorly functioning HVAC system with limited controls, unsafe electrical distribution system, outdated fire alarm system, lack of accessibility for the disabled, building code compliance and energy efficiency issues and the deteriorated condition of the exterior and some interior finishes. Another major concern is the age and condition of the automatic sprinkler system throughout the building. The energy upgrades would generate significant cost savings in future years. The new HVAC system and utilization of the new space standard of 220 square feet per FTE would allow additional employees to be housed in this building. Following the relocation of the Department of Local Affairs (DOLA) to the 1570 Grant Building, the Department of Natural Resources (DNR) would relocate to temporary space in order to complete a full renovation of the Centennial Building. Upon completion, DNR will backfill the vacated spaces allowing for the consolidation of administrative groups of DNR coming from other locations. The renovation for this building would cost approximately \$41 million in 2014 dollars.

1570 GRANT BUILDING RENOVATION



The 1570 Grant Building is in poor to fair condition with issues related to building systems, code compliance, accessibility and asbestos. Two significant issues are the age and condition of the windows and the absence of a fully automatic sprinkler system. Energy upgrades would generate significant cost savings in future years.

The Department of Health Care Policy and Financing (HCPF) will vacate 1570 Grant and move into leased space. The building will then be renovated for use by the Department of Local Affairs (DOLA). This renovation should occur prior to the renovation of the Centennial Building at 1313 Sherman. The cost of agency relocation and renovation is approximately \$6.8 million in 2014 dollars.

KIPLING CAMPUS RENOVATION



The two State buildings on the Kipling Campus, 690 and 700 Kipling Street, present issues related to fire alarm systems, elevator modernization, repair and replacement of window systems, HVAC upgrades in 700 and electrical upgrades in 690. With the recent relocation of several departments, there is available space for backfill and growth for the Department of Public Safety (DPS) to expand into the vacant space in a phased renovation.

The Office of Information Technology (OIT) data center will remain at this location for the near future and may reduce in size. DPS has submitted a formal request to fund this project in 2015. The cost of renovation is approximately \$21 million in 2014 dollars.

The purchase of the 2.5 acre parcel directly to the east of the campus was considered for expanded fleet parking and site access, but was deemed unnecessary at this time. If additional parking is needed in the future, the State may consider purchasing this site.

DIVESTMENT OF 1881 PIERCE



The Department of Revenue has indicated that it is very inefficient to have the department spread out among several buildings in several locations - in two owned buildings and six leased locations. DOR would like to be co-located or, at least, have the functions that are currently housed in the 1881 Pierce building relocated to a facility closer to the downtown departmental location at 1375 Sherman Street. This co-location or relocation should also allow for easier transit access to meet the needs of its customers. It is estimated that the sale of 1881 Pierce would generate revenue of \$7.9 million.

If that does not occur and the building is renovated system-by-system, the following deficiencies need to be addressed: addition of a fire sprinkler system, limited asbestos abatement, HVAC system upgrades, handicap accessibility modifications, and site and parking lot improvements in this high public-use facility.

NORTH CAMPUS



The North Campus has three metal buildings that house DPA's Division of Central Services operations - printing, mail processing, design services and fleet. Two of the buildings are currently unoccupied except for use as storage and the third building has significant building code compliance issues. The Division of Central Services would like to move its mail operations closer to the U.S. Post Office general mail facility; this would save significant dollars because pick up and delivery costs would not be charged. It would also be possible to evaluate the construction of a two story building within the west parking lot at the North Campus and subsequent demolition of the three buildings. If neither option is chosen, the renovation of the three buildings would cost almost \$10 million in 2014 dollars.

7.5 - RECOMMENDED SYSTEM REMODELS

SYSTEM REMODELS

Though all buildings within the Capitol Complex have certain system upgrade needs, several buildings stand out as having more immediate and pressing upgrade requirements. The needed upgrades vary from building to building, but each issue has an adverse impact on life safety, loss of use/reliability, finishes, or overall energy efficiency. Issues include, but are not exclusive to, roof replacements, elevator replacements, fire safety upgrades, electrical system renovations, handicapped

accessibility and building code compliance. Unlike buildings that require comprehensive renovations, these buildings in need of systems upgrades will have phased renovations done with the existing occupants in place. The cost for these combined upgrades and renovations is \$129 million in 2014 dollars. The State Capitol building accounts for nearly half of this total at \$62 million. The buildings in need of systems upgrades are as follows:

Legislative Services Building



Executive Residence



State Office Building



Human Services Building



State Services Building



Power Plant



Grand Junction State Services Building



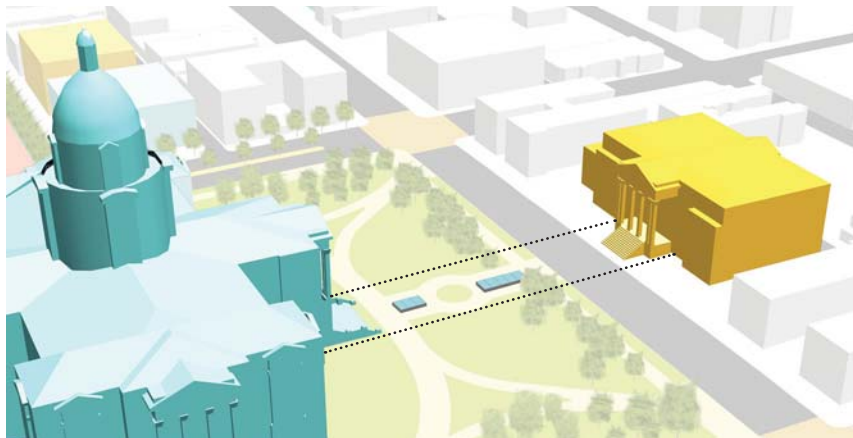
State Capitol Building



7.6 - OPPORTUNITIES

In addition to the larger recommendations laid out in previous sections, several other development options could be considered as Capitol Complex improvements. Some offer growth opportunities for State agencies beyond the timeline of this study. Others provide dramatic changes to the circulation, parking and civic landscape and illustrate the future potential of the Capitol Complex. These opportunities could be implemented over time to provide for future departmental growth, parking needs, urban design improvements, and overall flexibility.

Grant Street Office Building



The purchase of a privately-owned parcel directly east of the Capitol Building across Grant Street represents an opportunity to secure a strategic and important site within the campus for future use. In the short term, the site may be utilized as surface parking for State employees and provide revenue to the State. In the longer term, the site is envisioned as a site for a Legislative Services Building with a secure, sky-lit underground link to the Capitol Building to provide legislators and their service agency staff office space within close proximity to the Capitol and secure underground parking. This additional parking would allow for the removal of surface parking around the Capitol building. The building could include amenities appropriate for user functions such as a dining facility and a work out space. This project of 150,000 square feet would cost approximately \$44.6 million in 2014 dollars exclusive of land. As an interim parking lot, it would yield approximately 125 spaces and the land would cost approximately \$11 million in 2014 dollars.

West Lawn Project



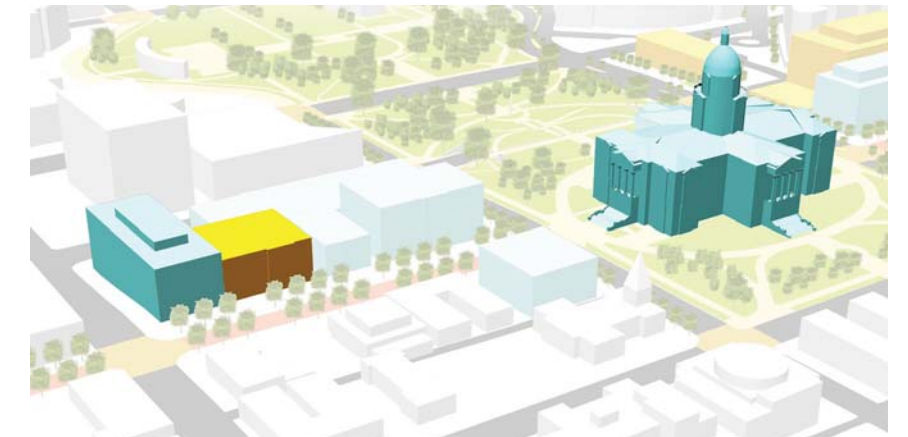
The proposed West Lawn concept consists of a landscape cover that would extend the west lawn of the Capitol into Lincoln Park directly west across Lincoln Street from the Capitol Building. The project could benefit the Capitol Complex and the larger Civic Center by providing additional space for activities and programming, and potentially relocating parking from the Capitol circle to a parking structure located beneath the elevated west lawn. The entire scope of the project would cost approximately \$69 million in 2014 dollars.

Addition to State Office Building



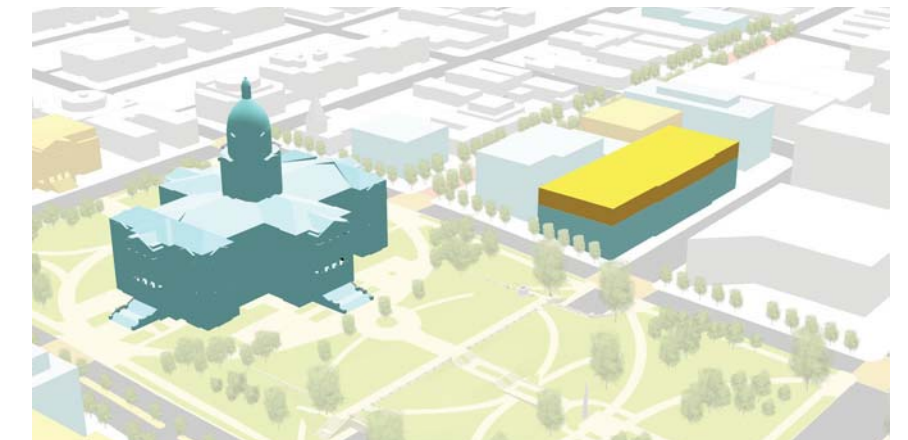
The surface parking lot located at 1530 Sherman Street north of the State Office Building, provides another opportunity for future expansion office space for State agency uses by constructing an addition to the State Office Building. The additional office space could be used to accommodate the needs of growing agencies or the transition of agencies from leased to owned space. The structure could be approximately 105,000 gross square feet at a cost of approximately \$29 million in 2014 dollars.

Addition to Centennial Building



The surface parking lot at 1325 Sherman Street directly north of the Centennial Building, provides an opportunity for future State-occupied office space within the Capitol Complex. In the short term, the site can be used in its current function as employee parking. In the long term, the site can be developed into an attached office structure to the Centennial Building to accommodate expanding State agencies or further consolidation of leased space. The structure could be approximately 82,800 gross square feet at a cost of approximately \$19 million in 2014 dollars.

Addition to Merrick Parking Structure



The Merrick Parking Structure, built in 2006, is approximately 200,000 square feet and has 660 parking spaces. Despite the relatively large size of this facility, the need for increased State employee parking spaces persists. The structure of the garage was designed to expand in the future to accommodate the growing needs of the Capitol Complex. Two stories could be added to the structure, adding approximately 282 spaces, at the cost of approximately \$8.5 million in 2014 dollars.

7.7 - COST AND TIMELINE

Capitol Complex Master Plan Estimated Costs and Project Durations

Project #	Location	FY15/16	FY16/17	FY17/18	FY18/19	FY19/20	FY20/21	FY21/22	FY22/23	FY23/24	FY24/25	Construction Cost or Purchase Price	FF&E Note: E	Swing Space	Additional Lease Cost	Project Total	Cum. Total	
		Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10							
Priority Recommendations	1	Negotiate Short Term Lease for DORA, prior to announcement of state plans for a new building 12/31/2014																
	2	New Building at Lincoln & Colfax (493,000 RSF / 567,000 GSF)										\$156,000,000	\$27,000,000			\$183,000,000	\$183,000,000	
	3	Capitol Mall and Urban Design Note: A										\$3,014,800				\$3,014,800	\$186,014,800	
	4	Renovate 1375 Sherman										\$22,688,430	\$1,900,000	\$6,600,000	\$2,570,130	\$33,758,560	\$219,773,360	
	5	Renovate 1313 Sherman										\$34,212,015	\$4,000,000	\$4,400,000	\$6,159,450	\$48,771,465	\$268,544,825	
	6	Relocate HCPF to Lease Space & Renovate 1570 Grant & Relocate DOLA										\$5,643,711	\$1,250,000		\$716,235	\$7,609,946	\$276,154,771	
	7	Renovate 690 & 700 Kipling (Expand Public Safety)										\$18,278,799	\$2,700,000			\$20,978,799	\$297,133,570	
	8	Relocate DOR and Build New Facility for DOR & DMV; Sell 1881 Pierce Note: B & C Resale Value of 1881 Pierce										\$44,000,000	\$4,000,000			\$48,000,000	\$345,133,570	
	9	Relocate Central Services to New Facility; Secure Fleet Parking & Fleet Mgmt to remain at North Campus Note: C										(\$7,900,000)				(\$7,900,000)	\$337,233,570	
System Remodels	10	200 East 14th Ave; Legislative Services										\$4,609,638	\$500,000			\$5,109,638	\$357,343,208	
	11	400 East 8th Ave; Executive Residence										\$8,540,832				\$8,540,832	\$365,884,040	
	12	Camp George West										\$14,697,457				\$14,697,457	\$380,581,497	
	13	201 East Colfax; State Office Building										\$5,724,206	\$1,074,700			\$6,798,906	\$387,380,403	
	14	1575 Sherman; Human Services										\$16,500,000	\$2,500,000			\$19,000,000	\$406,380,403	
	15	1525 Sherman; State Services										\$10,438,019	\$2,700,000			\$13,138,019	\$419,518,422	
	16	1341 Sherman; Power Plant										\$5,000,000	\$62,350			\$5,062,350	\$424,580,772	
	17	Grand Junction										\$7,064,335	\$951,250			\$8,015,585	\$432,596,357	
	18	State Capitol Renovation										\$61,845,759	\$1,300,000			\$63,145,759	\$495,742,116	
Opportunities	Other Considerations																	
	19	SLB Development of 13th & Sherman																\$495,742,116
	20	DHS Potential to Vacate 1575 Sherman & Relocate to Ft. Logan Note: D										\$62,500,000	\$8,750,000			\$71,250,000	\$566,992,116	
	21	Add Two Floors of Parking (282 Spaces) to 1359 Lincoln Parking Garage										\$8,500,000				\$8,500,000	\$575,492,116	
	22	Purchase the Grant Street Site East of the Capitol for Future Development Annual Parking Income Potential \$202,500 / Year (125 Spaces)										\$11,000,000				\$11,000,000	\$586,492,116	
	23	Addition to 201 East Colfax (94,300 RSF / 105,000 GSF)										\$26,643,561	\$2,400,000			\$29,043,561	\$615,535,677	
24	Addition to 1313 Sherman (72,000 RSF / 82,800 GSF)										\$17,231,945	\$1,800,000			\$19,031,945	\$634,567,622		
25	West Lawn										\$56,141,210				\$56,141,210	\$690,708,832		
Total Master Plan							\$605,274,717	\$64,988,300	\$11,000,000			\$690,708,832						

Note:

- A. Assumes the City of Denver and Private Developers will fund the balance (\$2.5M)
- B. DOR Could vacate 1881 Pierce and occupy 1575 Sherman if DHS vacates Capitol Complex and relocates to Ft. Logan
- C. Building a new building is assumed for both the new DOR location and the new Central Services location; leasing or purchasing in the scenarios could result in the costs below in lieu of the \$48 million:
 - Acquire a Class B Building for DOR Estimated Cost: \$7,200,000
 - Leasing a new DOR Location Estimated Cost: \$1.6M / Year 10 Year Effective Rate
 - Buying a New Central Services Location Estimated Cost: \$7,000,000
 - Leasing a New Central Services Location Estimated Cost: \$1.4M / Year 10 Year Effective Rate
- D. Construction cost assumed based on existing 1575 Sherman square footage
- E. The FF&E Costs represent new furniture which is required to achieve the proposed goal of 220 SF/FTE

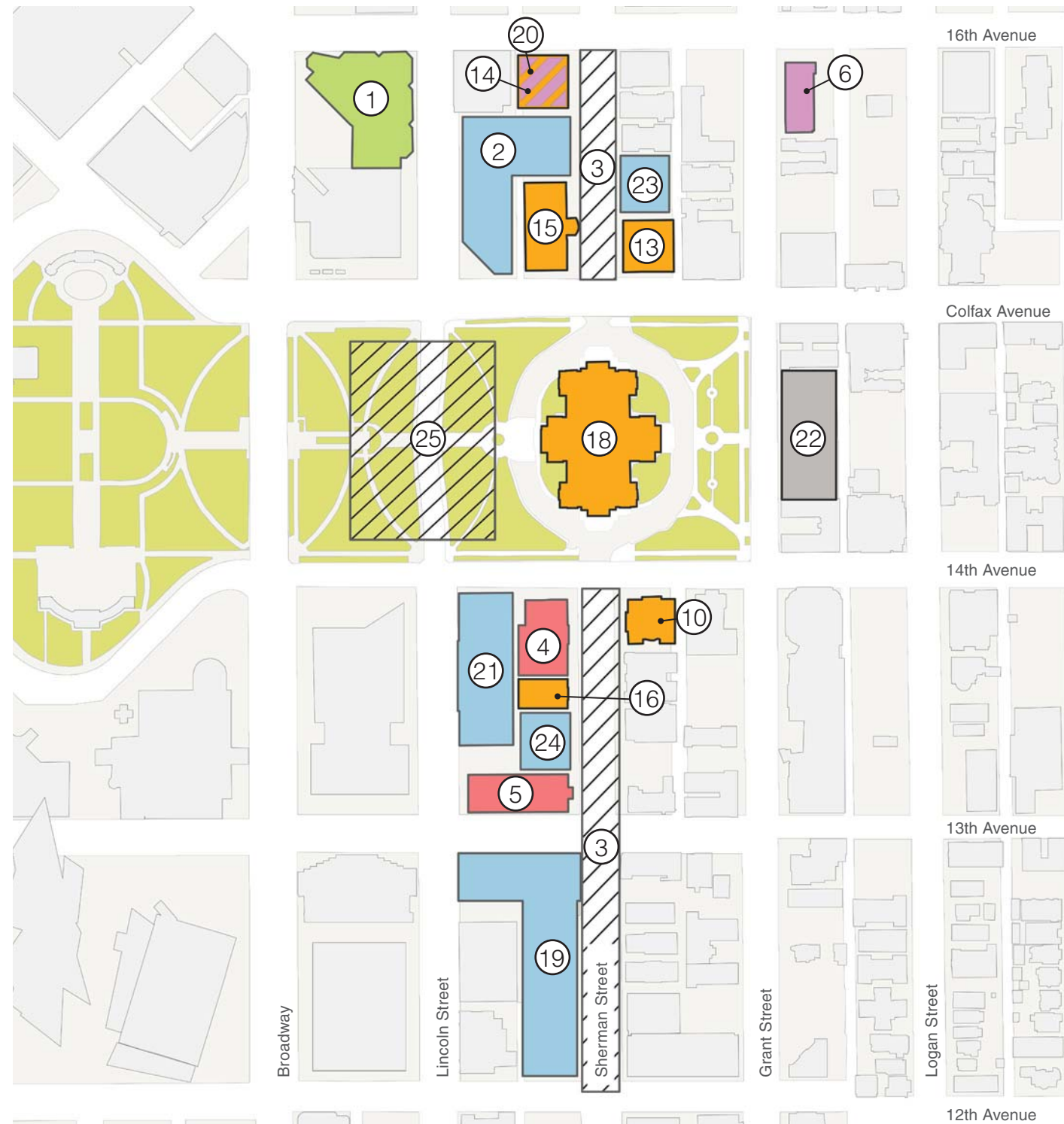
NOTE: All of the above costs are in 2014 dollars and should be escalated to the year construction will occur.

- Complete Renovation
- Relocation of Agency
- Systems Renovation
- DORA Lease
- New Construction
- Purchase Property
- Urban Design/Landscape

The recommendations outlined within this chapter, as well as others found in more detail throughout the master plan, have been given an assumed cost estimate (in 2014 dollars) to help define the scale and priority of each item. Additionally, each item has an associated time frame that is an estimate of the completion time in months from their respective beginning dates. Due to the variability of project initiation, exact dates for project completion are not supplied.



Capitol Complex



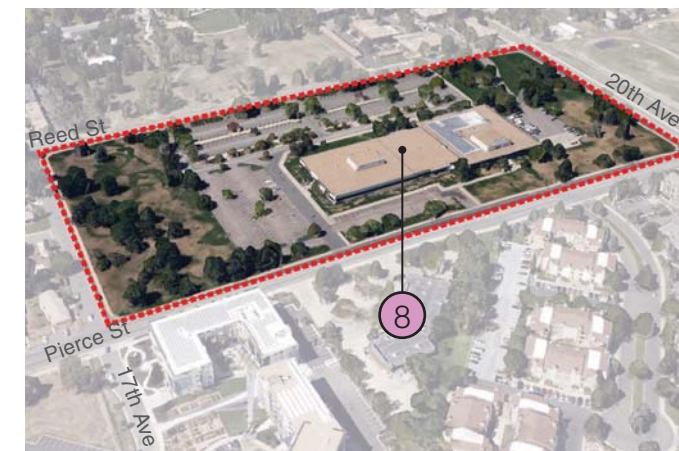
Kipling Campus



Executive Residence



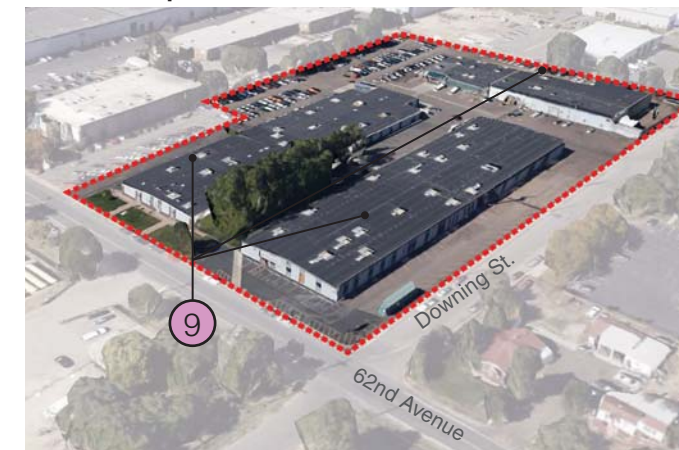
Pierce Campus



Camp George West



North Campus



Grand Junction State Services Bldg



Project numbers correspond to those on the Cost and Timeline summary on the previous page