

# State-Owned Facilities Update

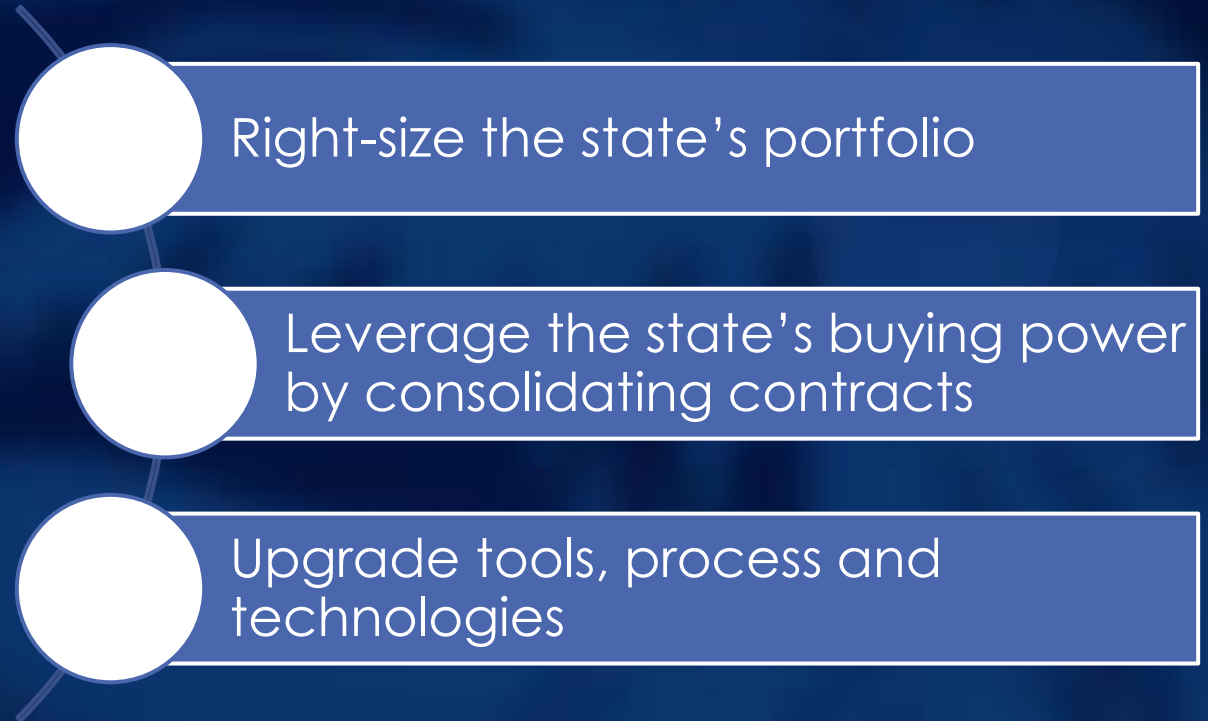
PRESENTED BY THE SOUTH CAROLINA DEPARTMENT OF ADMINISTRATION

JAN. 25, 2017



# Managing SC's Real Estate Portfolio: Statewide Strategic Real Estate Plan

- A three-part strategy developed in conjunction with CBRE.
- Released in Dec. 2015.
- Began implementation in Jan. 2016.



# How Admin Manages the State's Portfolio

- ▶ Disposing of buildings that are functionally obsolete, underutilized or in need of major capital investment.
  - ▶ Since working with CBRE, Admin has sold **17** state-owned properties totaling **\$2.9 million**. Admin only retains a portion of these proceeds.
- ▶ Implementing space standards. CBRE determined the state's primary office portfolio can be reduced by **18-25%** by utilizing a space standard of **210 SF/per person**.
  - ▶ In 2016, Admin reduced commercial office space occupied by agencies by **22,643 SF**. This produced more than **\$1.2 million** in lease costs saved.
- ▶ Consolidating statewide Maintenance and Operations (M&O) services across the State.
- ▶ Upgrading processes through creation of the Real Estate Standard Chart of Accounts to:
  - ▶ Better capture and analyze real estate expenses.
  - ▶ Implement procedures for tracking M&O costs by building.
- ▶ Using data from Facility Condition Assessments to drive decisions about state-owned buildings.

# Interpreting the Data

- ▶ CBRE conducted a study on a sample of the more than 5,000 buildings in the state's portfolio. The study included:
  - ▶ 138 M&O surveys of property.
    - ▶ Agencies reported M&O expenditures. The data was compared to industry standards.
  - ▶ Facility Condition Assessments on 147 state buildings showed many are in poor or critical condition.
    - ▶ The assessment ranked the age and condition of building systems and components.
    - ▶ The study did not include:
      - ▶ Asbestos removal
      - ▶ Code compliance
      - ▶ Destructive testing
      - ▶ Historic preservation requirements



# Projected Costs

- ▶ For the 147 buildings reviewed, the CBRE study identified more than:
  - ▶ **\$93.5 million** in deferred maintenance
    - ▶ **\$69 million** is for Admin-maintained buildings
  - ▶ **\$799.2 million** in projected capital costs over the next 30 years
    - ▶ **\$516 million** is for Admin-maintained buildings
      - ▶ The yearly average for recapitalization for these buildings is **\$17.2 million**.



DHEC Sims/Aycock Building

**Deferred maintenance** - Items already passed the end of service life, but have not been replaced.

**Recapitalization** - Replacement schedule for major pieces of equipment at the end of their service life.

# A Tale of Two Buildings



- ▶ Wade Hampton Building – Built in 1938
  - ▶ Tenants: Admin, CG, Commission on Prosecution Coordination, SCDA, SFAA, Treasurer's Office
  - ▶ Deferred Maintenance Costs = \$ 5.3 M
  - ▶ Recapitalization Costs = \$ 18.8 M

- ▶ Columbia Mills Building – Built in 1903
  - ▶ Tenants: DHEC, Confederate Relic Room, S.C. State Museum
  - ▶ Deferred Maintenance Costs = \$9.6 M
  - ▶ Recapitalization Costs = \$55.2 M





# Wade Hampton Building



The roof's parapet contains numerous cracks, which allow water into the structure.



Original, single-paned windows are inoperable, rusted, and leak water and air.

# Wade Hampton Building



The building's outdated elevator system, including many of its original, 1938 mechanical operating parts and the computerized controls installed in the early 1990s, needs to be modernized.



# Columbia Mills Building



Water damage caused by multiple leaks in the current roof, which was installed in 1985.

# Examples of Deferred Maintenance

## Wade Hampton Building

- ▶ Domestic Water Distribution
- ▶ Electrical Service and Distribution
- ▶ Elevators and Lifts
- ▶ Exterior Windows
- ▶ Fire Protection Specialties
- ▶ Floor Construction
- ▶ Lighting and Branch Wiring
- ▶ Plumbing Fixtures
- ▶ Rain Water Drainage
- ▶ Roof Construction
- ▶ Sanitary Waste

## Columbia Mills Building

- ▶ Basement Walls
- ▶ Cooling Generating Systems
- ▶ Domestic Water Distribution
- ▶ Electrical Service
- ▶ Elevators and Lifts
- ▶ Energy Supply
- ▶ Exterior Windows
- ▶ Fire Protection Specialties
- ▶ Floor Construction
- ▶ Heat Generating Systems
- ▶ Lighting and Branch Wiring
- ▶ Plumbing Fixtures
- ▶ Rain Water Drainage
- ▶ Roof Construction

# Examples of Recapitalization Needs

## Wade Hampton Building

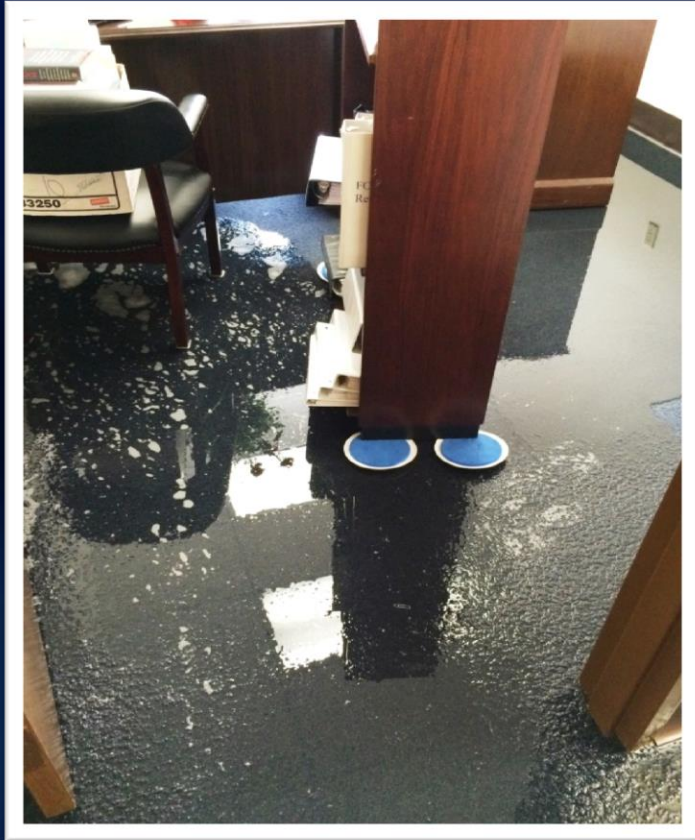
- ▶ Four-Ply, Built-Up Roof
- ▶ Acoustic Ceiling Suspension System
- ▶ Batt Insulation
- ▶ Steel Beams and Columns
- ▶ Cast Iron Floor Drain
- ▶ Chilled and Hot Water Distribution
- ▶ Circulating Pump
- ▶ Carpeting
- ▶ Water Heater
- ▶ Concrete Floor Sealer
- ▶ Controls and Ductwork
- ▶ Dry-Type Transformer
- ▶ Pipe Fan Coil Units

## Columbia Mills Building

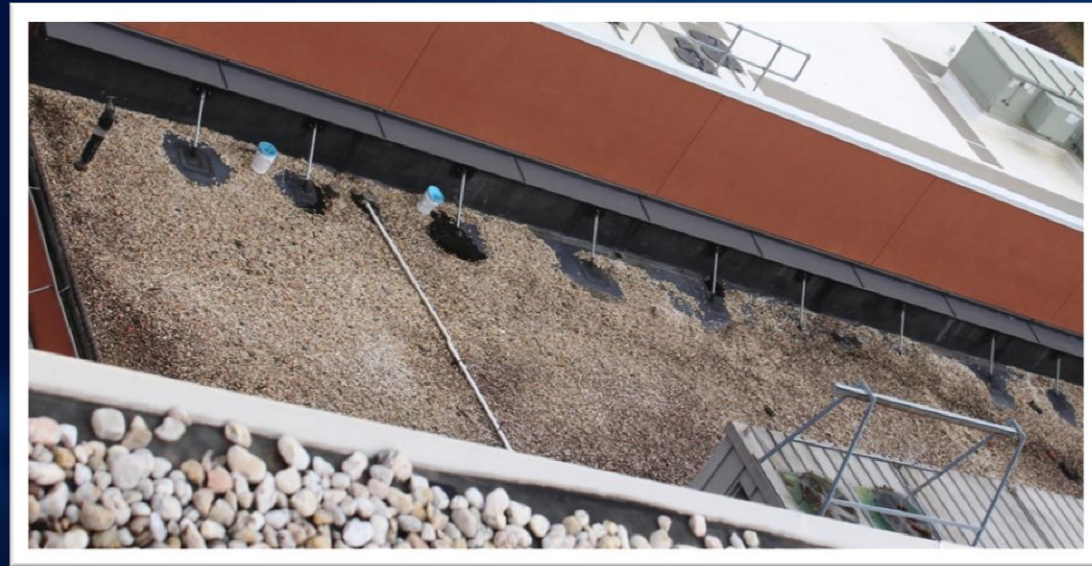
- ▶ Steam Boilers
- ▶ Air Cooled Condenser, Chiller and Cooling Tower
- ▶ Steel Beams
- ▶ Building Grounding System
- ▶ Building Lightning Protection System
- ▶ Chilled and Hot Water Distribution
- ▶ Carpeting
- ▶ Commercial Water Heater
- ▶ Copper Domestic Water Piping
- ▶ Dry-Type Transformers
- ▶ Energy Management Control Systems
- ▶ Pipe Fan Coil Units
- ▶ HVAC Ductwork and VAV Terminals
- ▶ Elevators
- ▶ Main Breakers
- ▶ Modified Bitumen Roof



# A Tale of Two Buildings – Band-Aid Repairs



- ▶ Columbia Mills Building Roof Patching:
  - ▶ Crews installed the current roof during the building's 1985 renovation.
  - ▶ The roof warranty expired in 2001.
  - ▶ The roof is riddled with leaks, making it hard to prevent water infiltration and requiring patchings.



- ▶ Wade Hampton Building Ruptured Pipe:

- ▶ 15 state employees relocated while crews repaired the pipe, removed water and replaced carpet.
- ▶ Employees lost valuable time from the agency's core mission packing and unpacking offices.
- ▶ The building's original cold and hot water piping need to be replaced.

Over time, delaying deferred maintenance will cost the state more money.

# Addressing the Most Critical Needs

## ▶ **Wade Hampton Building**

- ▶ Recent project - Replaced fan coil units in critical condition - \$340,000
- ▶ Recent project – Repaired ruptured water line at a cost of \$20,000.



## ▶ **Columbia Mills Building**

- ▶ Recent project – Made repairs to the fire suppression system - \$375,937.09
- ▶ This year, Admin requested \$5.8 million for:
  - ▶ \$2.1 million for the roof
  - ▶ \$2.86 million for windows
  - ▶ \$840,000 for atrium

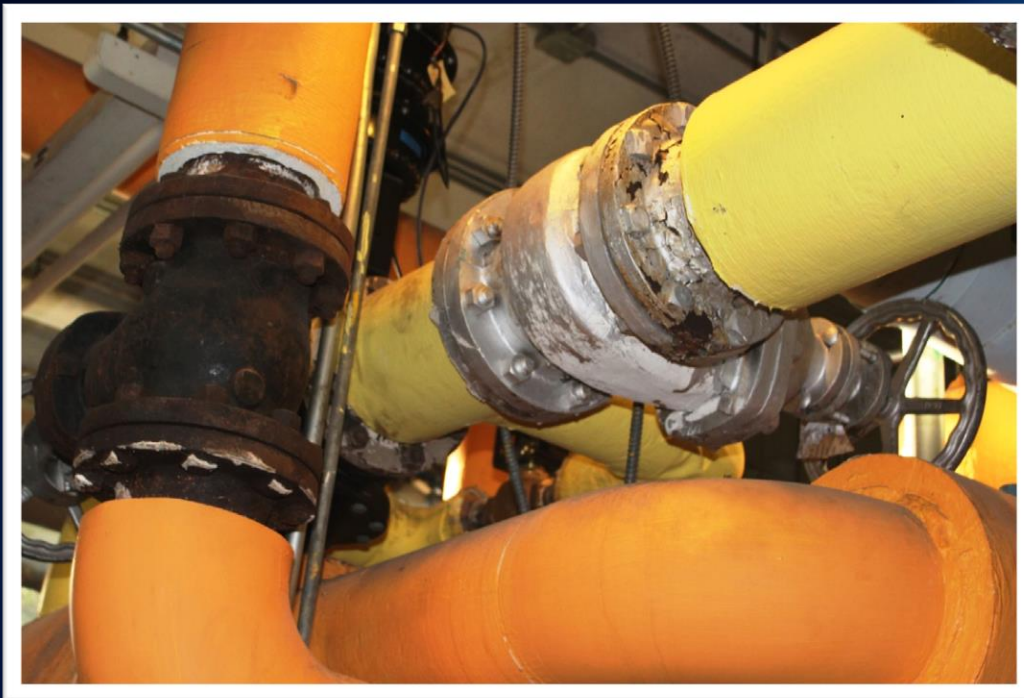




# But it is still not enough...

## Wade Hampton Building

- ▶ The Hot Water Distribution System needs to be replaced at an approximate cost of \$2.4 million.



## Columbia Mills Building

- ▶ The HVAC mechanical system was installed in 1985. Replacing the system will cost \$23 million.

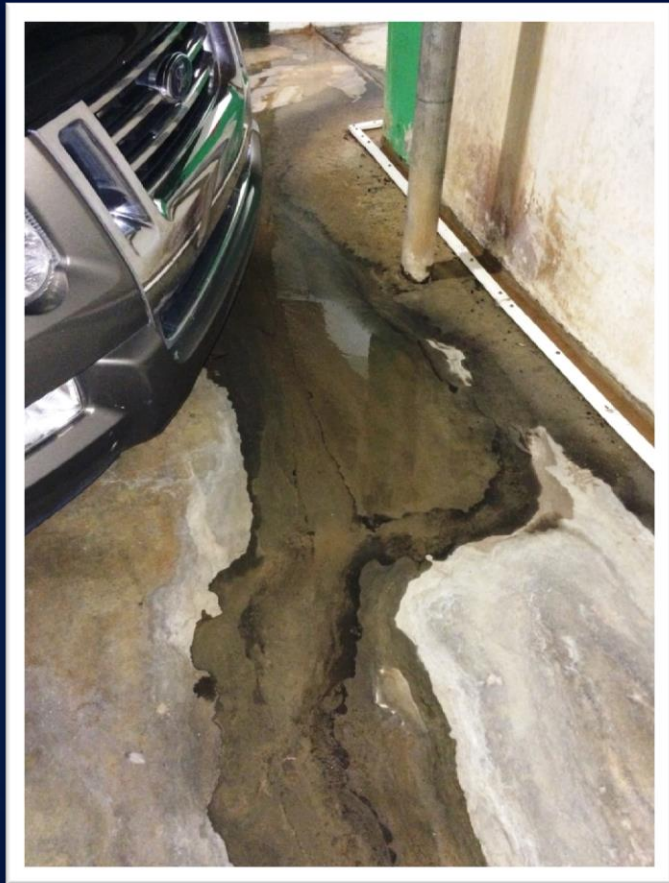


# Parking

- ▶ There is not enough parking to accommodate those working at or visiting the Capital Complex.
  - ▶ Bringing more people onto the grounds will require additional parking.
- ▶ The average cost of parking in downtown Columbia is **\$80/month**. Fees for assigned, state parking spaces are **\$10/month**.
  - ▶ This rate does not support the cost to operate and maintain the McEachern Parking Garage or surface lots.
  - ▶ No fees are charged for lots surroundings other state-owned building.

# Parking

- ▶ These factors result in an average annual operating deficit of **\$200,000**, not including any capital projects.
  - ▶ Currently, \$3 million is being spent to address the garage's water intrusion issues, instead of using those funds for deferred maintenance on state buildings.

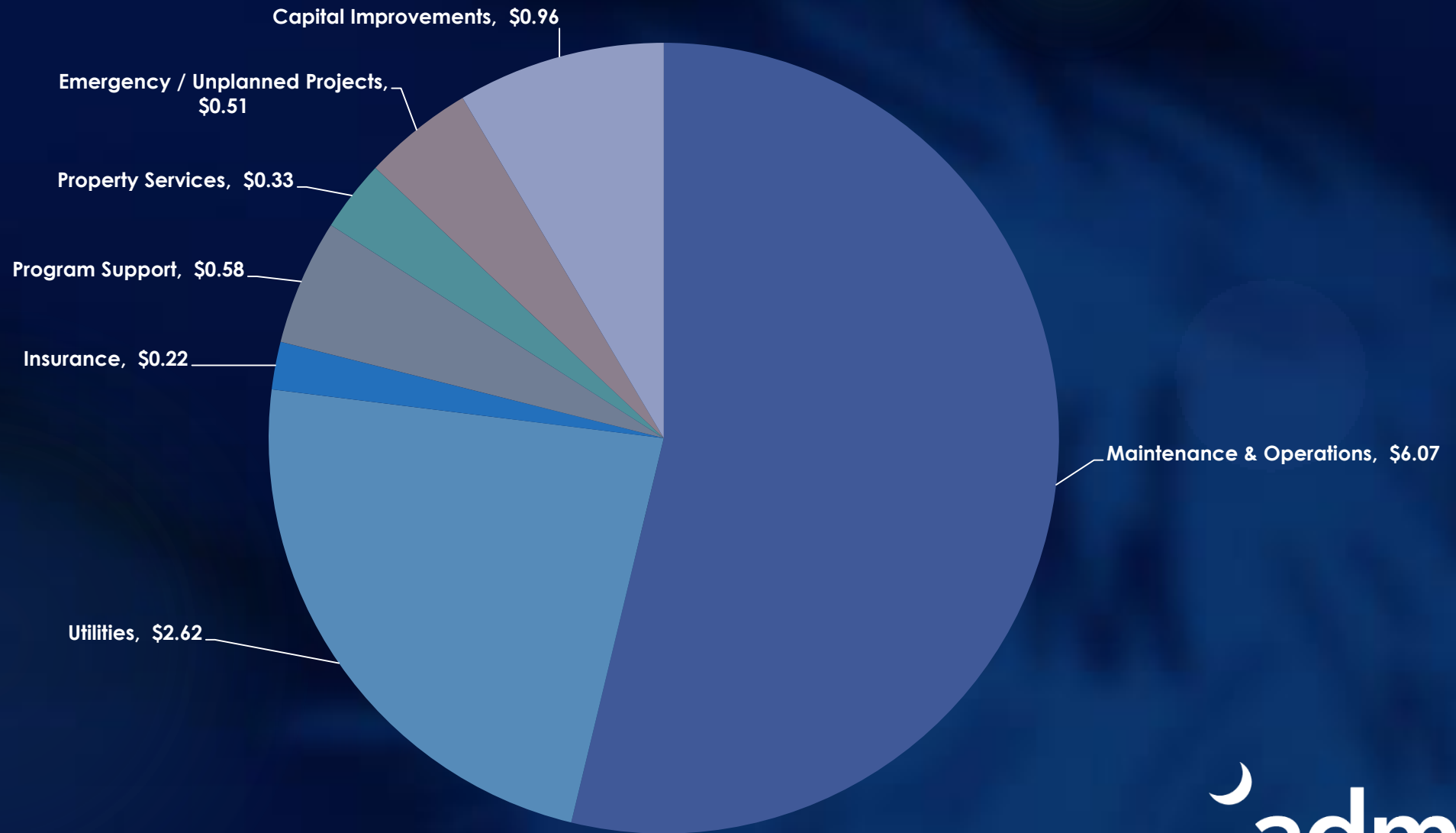


# Addressing a Long-Term Problem

- ▶ Admin continues densification, shared services and the sale of costly assets to offset costs, but more is needed.
- ▶ Admin is very fortunate to have \$27.7 million in Qualified Energy Conservation Bond (QECCB) allocation authority to address large energy-saving equipment replacements.
  - ▶ Energy savings projects for QECCB's (Final List to Be Determined During Bid Process to Achieve 20% Savings):
    - ▶ \$26M identified in energy savings measures in Brown, Dennis and Wade Hampton
    - ▶ Includes replacement of hot and chilled water distribution systems, air handlers, fan coil units, roof, energy management controls, etc.
  - ▶ CIP Energy Savings Projects:
    - ▶ Sumter Street Air Handlers \$220K
    - ▶ Energy Facility Cooling Tower Replacement \$460K
    - ▶ Calhoun Fan Coils \$1.1M
    - ▶ Blatt Windows \$600K
    - ▶ Sims Aycock Batt Insulation and Vapor Barrier \$180K
    - ▶ Archives and History Rigid Roof Insulation \$130K
    - ▶ North Towers Interior Lighting Upgrade \$1M



# State-Owned Building Lease Rates - \$11.29/SF



The Colliers 2016 Q4 Research and Forecast Report indicates average rental rates are **\$23.45** per square foot for the Columbia Business District.

# Building Usage Rate Revenue/Expenses

<b>Income:</b>	
Lease Payments <sup>(1)</sup>	20,846,866
Appropriations	1,503,781
<b>Total Income</b>	<b>22,350,647</b>
<b>Expenses:</b>	
Maintenance & Operations	12,016,733
Utilities <sup>(1)</sup>	5,188,126
Insurance	442,173
Program Support	1,157,508
Property Services	650,000
Emergency/Unplanned Projects	1,000,000
<b>Total Expenses</b>	<b>20,454,540</b>
Amount available for deferred maintenance and capital improvements	1,896,107
Estimated Deferred Maintenance (\$69.691M amortized over 10 Years)	6,969,121
<b>Estimated Annual Shortage</b>	<b>(5,073,014)</b>
Average annual capital improvement requirements <sup>(2)</sup>	17,200,000
<b>Total Annual Shortage</b>	<b>(22,273,014)</b>

**(1) Excess energy charges are not included in rental income or expenses.**

**(2) These cost estimates do not include destructive testing or state historic preservation requirements.**

# Addressing a Long-Term Problem

- ▶ The needs of buildings the state must retain are so great, that a multi-pronged strategy must be used to address the investment needed to keep them from being at further risk.





# A Multi-Pronged Strategy

- ▶ The Tale of Two Buildings shown today is really the tale of all state-owned buildings.
- ▶ The state needs to move toward holistically addressing the long-term needs of our state facilities by:

Infusing the process with capital to “catch up.”

Continuing implementation of the Statewide Strategic Real Estate Plan.

Raising the state’s Building Lease Rate

Providing recurring appropriated funds.