ATTACHMENT 4

King County
Facilities Management Division
Kathy Brown, Division Director
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February 1, 2006

The Honorable Bob Ferguson
Chair, Capital Budget Committee
Metropolitan King County Council
Room 1200
COURTHOUSE

Dear Councilmember Ferguson:

Several months have passed since the Council last took action regarding the potential tenancy of the New County Office Building (NCOB). As you recall the Council directed the Facilities Management Division (FMD) to explore many related and overlapping space planning options, including consolidating Elections operations and the new data center in the NCOB; evaluating tenancy decisions for both the NCOB and the King County Administration Building. FMD has done quite a bit of additional work during this time. **We are pleased to apprise you that our analysis indicates that we can save the taxpayers of King County at least ten million dollars if we do the following:**

> Avoid consolidating elections operations in the NCOB, which saves King County taxpayers over 5 million dollars; and locating the Executive, his staff and his related offices in the NCOB rather than the King County Administration Building, which will save King County up to an additional 5 million dollars.
>
> We want to make sure you are aware of these potential cost savings and the analysis that supports the savings during your discussion at Capital Budget Committee meeting scheduled for this morning.

February NCOB Decisions
Before we delve into the details related to the savings, we wanted to be clear with the Council which tenancy decisions need to be made in February and which do not. It appears from discussions with council staff that there is some confusion surrounding this issue; council staff have indicated they understood that all tenancy decisions must be made in February to avoid cost increases. That is not completely accurate.

The decisions that need to be made in February to avoid substantial retrofit costs are the major structural tenancy decisions that will impact the design and cost of the overall building. Additionally, tenancy decisions that result in other potentially significant costs (such as outside lease costs or retrofit costs in other buildings) should be made in the near future. The most significant immediate decision is whether or not to consolidate Elections operations in the NCOB. That decision has a significant impact on the design, materials, and cost of the NCOB.

Tenancy decisions about which groups within tenant agencies occupy which floors in the office space of the NCOB do not need to be finalized until detailed tenant improvement designs are completed. These designs are slated to be complete during June of this year. FMD staff and the developer's architects are working with proposed tenants on floorplans and tenant improvement requirements. As this work unfolds, FMD is refining the tenancy plan that has already been sent to Council. An updated plan will be available within the next four weeks. However, our additional analysis only reaffirms that the primary tenants and space allocation in the Executive-proposed plan, as transmitted early last year, is the most cost-effective and it remains the Executive's preferred option.

Elections Consolidation
As I'm sure you are aware, staff from the Department of Executive Services (DES) Facilities Management Division (FMD) and Records, Elections and Licensing Services Division (REALS) have been working diligently together with Council staff and their consultant Staubach, to develop a market research and selection process for Elections consolidation. This new process, somewhat similar to the King County Request For Proposal process, is intended to be flexible enough to allow for standard real estate acquisition negotiation practices, yet address the King County Council's desire for an open, competitive acquisition or construction process. We will soon be forwarding proposed legislation regarding the new concept.

However, in the context of this collaborative effort, FMD staff, at the direction of the Executive, also conducted a preliminary cost analysis to evaluate the feasibility of construction of a new consolidated Elections facility on county-owned property. This cost analysis, albeit preliminary, revealed that a new, built-to-suit consolidated Elections facility could be constructed on the Goat Hill site, on the south side of the new King County Garage, for substantially less than it would cost to provide space for Elections in the NCOB. It is estimated that a new facility could be constructed for roughly $178 per square foot, as opposed to $247 per square foot in the NCOB (These estimates reflect

building shell and core only). **The net savings that could be achieved by construction of a new site on Goat Hill, compared to siting the Elections operation in the NCOB is estimated at over 5 million dollars.**

While it is clear that with cost savings of this magnitude the NCOB should be removed from consideration as a consolidate Elections site, we are not suggesting that construction of a new site is necessarily the least-cost option for Elections. It is possible that other sites or options may be found that are cheaper. Therefore, FMD is committed to continuing market research to see if there is an acquisition option on the market that could achieve even greater savings for King County. In the meantime, we believe the Council should conclude that saving at least five million dollars justifies eliminating the option of programming Elections consolidation in the NCOB.

Executive Staff and related offices in the NCOB
Over the past year, FMD has presented a great deal of information to the Council and Council staff that demonstrate it is substantially more expensive to move the Offices of the Executive into the King County Administration Building rather than the NCOB. Two moves are always more expensive than one, and such a move assumes moving current County staff out of the Administration Building and requires a substantial remodel. Our preliminary estimates were 2 million dollars higher than placing the Executive in the NCOB. Recent cost analysis, based on standard cost estimating practice and actual construction costs in the Administration Building, indicate that it would cost King County an additional 5.5 million dollars to move the Executive into the King County Administration Building. I have enclosed, as background information, the detailed cost estimating spreadsheet totaling $5.5 million. My staff and I would be happy to brief interested Capital Budget Committee members on the details of the estimating methodology.

We must reemphasize this point. Programming the Executive and Office of Management and Budget (OMB) into the NCOB would represent a savings of greater than 5 million dollars over the original plan from 2003. Saving the taxpayers of King County 5 million dollars must be our priority. Tenancy decisions should be made based on the most cost effective option, and that option is to place the Executive in the NCOB.

Data Center and Information and Telecommunications Service (ITS)
Another structural decision related to the NCOB is siting for the Information and Telecommunications Services (ITS) Data Center. During the preliminary planning for the NCOB, it became readily apparent that the cost of building the Data Center into the NCOB would be extremely high, due to infrastructure requirements to sustain ongoing IT operations business continuity.

The Executive's recommendation to move the Data Center into the 1130 Rainier Building was rejected by Council, leaving the Data Center as a potential tenant for the NCOB. FMD staff are working together with ITS staff to further refine Data Center requirements, and to search the market for lower cost alternatives. As this work continues, FMD staff are assuming that the Data Center will not be moving into the NCOB. One option that has been specifically excluded from evaluation by the Council is to combine the Data Center with a consolidated Elections facility. **Should the Council give FMD permission to explore that option, it may be that millions more can be saved by including the Data Center in the potential Elections facility on Goat Hill.**

This assumption does not, however, preclude the Data Center from moving into the NCOB, if no other cost effective or viable option is found. Because the Data Center takes up relatively little floor space in the NCOB, it would be possible to retrofit the building to meet Data Center needs at a later date, albeit at a higher cost. We believe the risk is worth taking.

Another pressing issue regarding the NCOB tenancy has to do with the (ITS Division). Recent legislation has excluded the entire ITS Division, currently leasing space in the Seattle Municipal Tower, from NCOB programming at this time. This poses several major problems:

- We have recently received formal notice from the City of Seattle, that the City will not be able to accommodate the ITS Division in the Seattle Municipal Tower beyond the current lease, which expires in 2007.

- Approximately 1-1/2 floors of the NCOB were included in preliminary plans for the ITS, based on the Council's discussion, deliberation, and policy direction during the decision process leading to Council approval of the NCOB. In all reports, discussion documents, and financial analyses related to the NCOB, it was assumed that ITS would move from leased space to the NCOB. The NCOB was sized to house ITS. Without ITS, there would be nearly two floors left vacant in the NCOB.

- A new lease, at a different ITS location and at current market rates, would have to be negotiated for ITS, if the Division were not to be housed in the NCOB. This new lease cost plus amortized tenant improvements would be substantially higher than the current lease rate, and would be in addition to lease payments associated with the debt service for the NCOB.

For these reasons, we strongly urge that the ITS Division be a tenant for the NCOB, as originally envisioned and programmed.

In summary, programming the Executive into the NCOB and not programming Elections into the NCOB may save taxpayers well in excess of 10 million dollars over

the 2003 proposal and other options the Council has asked FMD to evaluate. Combining the Data Center in a new building with Elections may save millions more. We urge the Council to focus on the magnitude of these savings as you deliberate over the tenancy decisions surrounding the NCOB.

As always, my staff and I are available to meet with any Councilmember or Council staff to discuss these issues. We look forward to working with the King County Council in successfully programming the NCOB in the most efficient and cost effective way possible.

Please feel free to call me at 296-0631 if you have any further questions or if you would like a more detailed briefing.

Sincerely,

Kathy Brown
Director, Facilities Management Division

Enclosure

Cc: King County Councilmembers
ATTN: Shelley Sutton, Policy Staff Director
Rebecha Cusack, Lead Analyst, Capital Budget Committee
Anne Noris, Clerk of the Council
The Honorable Ron Sims, King County Executive
Sheryl Whitney, Assistant County Executive
Kurt Triplett, Chief of Staff, County Executive Office
Ryan Bayne, Council Relations Director, County Executive Office
Paul Tanaka, County Administrative Officer (DES)
Dean Logan, Director, Records, Elections and Licensing Services Division (DES)
David Martinez, Acting Division Director, ITS
De'Sean Quinn, Council Relations Director, KCEO
Ryan Bayne, Director of Intergovernmental Relations, KCEO

2006 PROJECT COST ESTIMATE SUMMARY

Project Name: Admin Bldg 6th Floor — CIP Number: _____ — Date: 06-Jun-05
Executive & Budget Office Relocation
Requesting Agency: DES — Estimator: Burt
Implementing Agency: DES — Checked by: Burt
Project Scope:

1. Remodel 21,420 SF on the 6th Floor of the Administration Building for use by the County Exective and his staff, and the Budget Office which are to be relocated from the Bank of America Tower
2. Relocate the Wash St Auditor to an undetermined location. Cost estimates no additional construction for relocating the Finance Section to the new office building.
3. Cost estimates includes the additional cost of moving Finance to the new office building and the lease cost for the Exective staff to remain in their current location until the 6th floor construction is complete.

ELEMENT - DESCRIPTION			TOTAL PROJECT COST	2006 PROJECT REQUEST
001 - CONSULTANT DESIGN				
Basic A/E Fee.....(8.00%) of MACC			$243,689	$243,689
☑ Check if renovation to increase fee 2% per State Guidelines			$60,928	$60,928
Additional Services: Interior Design			$15,000	$15,000
Landmark Commission preparation & review				
Environmental Checklist				
Grading Permit/SWM Drainage Review				
Level II Drainage Tech. Report				
Soils Testing				
Outside Survey				
Consultant Selection Advertisement Costs				
PCSP Division Costs (Procurement)				
Asbestos Assessment			$5,000	$5,000
Other Design				
Total 001 - Consultant Design Cost			**$324,617**	$324,617
003 - CONSTRUCTION				
MAX. ALLOWABLE CONST. COST (MACC)			$3,046,406	$3,046,406
Sales Tax.....(8.80%)of MACC	(Check site area)		$268,084	$268,084
Building Permit Fees..(1.50%) of MACC			$45,696	$45,696
Data Communications Costs ($500/device)		75	$37,500	$37,500
Telephone Cost ($350/phone)		75	$26,250	$26,250
Relocation/Temporary Construction Cost				
Tenant Relocation Lease Cost: Add'l lease cost for B.O.A			$350,000	$350,000
Security Cost during Construction (required for work in CH, RJC & KCCF)				
Other capitalized Operating Cost				
Moving Cost: Relocate finance to new office bldg		90	$45,000	$45,000
Asbestos Abatement Cost (incl in construction cost)				
Printing Cost (Bid Documents)			$30,000	$30,000
Special Inspection & Testing Fee			$10,000	$10,000
Commissioning 0.50%			$15,232	$15,232
Moving Cost: Relocate state auditor to new location		15	$7,500	$7,500
Total 003 - Construction Cost			**$3,881,668**	$3,881,668
004 - EQUIPMENT & FURNISHINGS				
Total 004 - Equipment & Furnish. Cost	35 workstations	140,000	**$315,000**	$315,000
	40 office furnishing	100,000		
	misc furniture	76,000		
005 - CONTINGENCY				
Project Contng. (10.00%) of 001, 003, 004,007, & 009				
Total 005 - Contingency Cost			**$458,629**	**$458,629**
007 - COUNTY FORCE DESIGN				
Project Design (of 001, 003, 004)				
Other				
Total 007 - County Force Design Cost				
009 - COUNTY FORCE ADMINISTRATION				
GGCIP Project Mgmt Hours		650		
Total 009 - County Force Admin. Cost			**$65,000**	$65,000
006 - ART 1.0% of 001,003,005,007 & 009			**$47,299**	**$47,299**
Check if Project is visible to the public ☑				
010 - ADMINISTRATIVE OH (1.00% of total project cost)			**$50,922**	**$50,922**
Check if Major Maint ☐				
TOTAL PROJECT COST			**$6,143,135**	**$5,143,135**
Project Financing @ 7.9%				**$406,308**
Less Existing Funds:				
2006 PROJECT REQUEST				**$5,549,443**