



# House Appropriations Capital Outlay Subcommittee

*Replacement of 8<sup>th</sup> Street Office Building  
and  
Renovation of the 9<sup>th</sup> Street Office Building*



***“ 18. That the Department of General Services is hereby directed to solicit for proposals under the Public-Private Education Facilities and Infrastructure Act of 2002 (§ [56-575.1](#) et seq.) of Title 56 of the Code of Virginia, or under other authority available to the Department after consultation with the Public-Private Partnership Advisory Commission established pursuant to Chapter 42 (§ [30-278](#) et seq.) of Title 30 of the Code of Virginia, for the development of an office facility to replace the 8th Street Office Building and renovate the 9th Street Office Building. In soliciting such proposals, the Department shall specify the Commonwealth's anticipated requirements for leased space in the facility, and shall seek to maximize opportunities to leverage private sector financial participation and risk sharing in the project, including, but not limited to, use and sale of historic rehabilitation tax credits, commercial components, and other revenue-generating activities that would reduce the state's cost to lease or own all or a portion of such facility. The Department shall solicit such proposals no later than September 1, 2008, and shall have completed sufficient review of such proposals to report on its findings and recommendations to the 2009 General Assembly.”***



**Chapters 0001 and 0002 of the 2008 Acts of Assembly Special Session I, specifically required DGS to report on:**

- Anticipated requirements for leased space in the facility
- Maximizing opportunities to leverage private sector financial participation and risk sharing in the project
- Completing a sufficient review of all received proposals to report on findings:
  - Project scope
  - Project cost
  - Project timeline



## **Anticipated requirements:**

- **At time Chapters 001 and 002 approved:**
  - **Multiple state agencies currently in private leased space**
  - **February 2005 Master Plan identified a need of approximately 860,000 sqft**
  - **8<sup>th</sup>/9<sup>th</sup> Street development contemplated a 460,000 sqft facility**
- **Current need:**
  - **October 2008, Commonwealth purchased a 371,000 sqft building at the corner of 6<sup>th</sup> and Main Streets**
  - **We are seeing a reduction in office space needs as agencies reduce staff and state office space standards are being aggressively enforced**
  - **Need for state agencies in leased space in the short term can be met by the MSC acquisition.**
  - **However, there does exist a need for “swing space” if any of the following projects are funded:**
    - **General Assembly Building (GAB)**
    - **Supreme Court**
    - **Move agencies from James Monroe for renovations**



## **PPEA Process:**

- **Scope of building based on plans prepared under authorization and funding Item C-7.10 of the 2007 Acts of Assembly**
  - **Approximately 400,000 sqft building**
  - **200 parking spaces**
  - **Current design is to be used for “swing space”**
  
- **May 4, 2008, released PPEA solicitation**
  
- **April 28, 2008, PPEA proposals due (seven proposals received from four developers)**
  
- **April 29, 2008, Part 1 (conceptual phase) of two Part PPEA review process began**
  
- **October 14 and 15, 2008, oral presentations provided by developers to PPEA review team**
  
- **Part 1 PPEA process**
  - **Paused after receipt and cursory review by review team**
  - **Development proposals received vary in scope, cost, and financing**



## Summary:

- Current short-term state owned office space need satisfied by purchase of MSC
- There will be a need for state owned “swing space” should authorization and funding for identified renovation projects be approved
- Received PPEA proposals vary in scope, cost and financing. A project scope needs to be decided to enable “Apples to Apples” evaluation of proposals.
- Moving beyond the PPEA Part 1 phase is expensive for state and developers.
- 9<sup>th</sup> Street Office Building will be vacated by June 2009



## Recommendation:

- Do not proceed with further discussions until tenants can be identified and a defined scope of work developed
- If no action for the full project, develop project for the renovation of 9<sup>th</sup> St and perhaps additional parking. Building should not stand vacant for an extended period of time.