

**REPORT OF THE
DEPARTMENT OF GENERAL SERVICES**

Construction of a New Human Services Building in Suffolk, Virginia

**TO THE GOVERNOR AND
THE GENERAL ASSEMBLY OF VIRGINIA**



HOUSE DOCUMENT NO. 66

**COMMONWEALTH OF VIRGINIA
RICHMOND
2005**



COMMONWEALTH of VIRGINIA

Department of General Services

James T. Roberts
Director

September 30, 2005

202 North Ninth Street
Suite 209
Richmond, Virginia 23219-3402
Voice/TDD (804) 786-3311
FAX (804) 371-8305

The Honorable John H. Chichester, Chairman
Senate Finance Committee

The Honorable Vincent F. Callahan, Jr., Chairman
House Appropriations Committee

Dear Senator Chichester and Delegate Callahan:

Item C-3.70 of Chapter 951 of the 2005 Acts of Assembly directs the Department of General Services to conduct a feasibility study regarding construction of a new human services building in Suffolk, Virginia.

This report is enclosed.

If you have any questions I hope you will feel free to contact me. As always, I look forward to working with you on these and other matters of mutual concern.

Sincerely,

A handwritten signature in black ink, appearing to read "James T. Roberts".

James T. Roberts

Enclosures

Suffolk Feasibility Study
OSQ Summary

HEALTH - STAND ALONE										
	2005 Needs					2025 Forecasted Needs				
Total FTE	79					106				
<u>Space Category</u>	Total Sf	Circulation @ 30%	Total USF	%	Per FTE	Total Sf	Circulation @ 30%	Total USF	%	Per FTE
People Space	5,142	1,543	6,685	28%	85	6,966	2,089	9,055	34%	85
Support Space	4,727	1,418	6,145	25%	78	4,727	1,418	6,145	23%	58
Special Needs	8,692	2,608	11,300	47%	143	8,692	2,608	11,300	43%	107
	<u>18,561</u>	<u>5,569</u>	<u>24,129</u>	<u>100%</u>	<u>305</u>	<u>20,385</u>	<u>6,115</u>	<u>26,500</u>	<u>100%</u>	<u>250</u>
Total USF per FTE excluding Special Needs Space	162					143				

SOCIAL SERVICES - STAND ALONE										
	2005 Needs					2025 Forecasted Needs				
Total FTE	127					184				
<u>Space Category</u>	Total Sf	Circulation @ 30%	Total USF	%	Per FTE	Total Sf	Circulation @ 30%	Total USF	%	Per FTE
People Space	11,150	3,345	14,495	50%	114	15,854	4,756	20,610	54%	112
Support Space	5,694	1,708	7,402	25%	58	7,344	2,203	9,547	25%	52
Special Needs	5,532	1,660	7,192	25%	57	6,282	1,885	8,167	21%	44
	<u>22,376</u>	<u>6,713</u>	<u>29,089</u>	<u>100%</u>	<u>229</u>	<u>29,480</u>	<u>8,844</u>	<u>38,324</u>	<u>100%</u>	<u>208</u>
Total USF per FTE excluding Special Needs Space	172					164				

COMBINED HUMAN SERVICES										
	2005 Needs					2025 Forecasted Needs				
Total FTE	206					290				
<u>Space Category</u>	Total Sf	Circulation @ 30%	Total USF	%	Per FTE	Total Sf	Circulation @ 30%	Total USF	%	Per FTE
People Space	16,196	4,859	21,055	46%	102	22,820	6,846	29,666	53%	102
Support Space	7,356	2,207	9,563	21%	46	8,200	2,460	10,660	19%	37
Special Needs	11,384	3,415	14,799	33%	72	12,134	3,640	15,774	28%	54
	<u>34,936</u>	<u>10,481</u>	<u>45,417</u>	<u>100%</u>	<u>220</u>	<u>43,154</u>	<u>12,946</u>	<u>56,100</u>	<u>100%</u>	<u>193</u>
Total USF per FTE excluding Special Needs Space	149					139				

Co-location savings	7,801 15%	8,724 13%
---------------------	--------------	--------------

Authority for the Study

Item C-3.50 #3c of the 2005 Appropriation Act directed the Department of General Service to “conduct a study of the feasibility of constructing a new human service building in Suffolk to house the Departments of Social Services and Health and report its findings and recommendations to the Governor and the Chairman of House Appropriations and Senate Finance Committees by October 1 2005.”

Participants in the Study

Mr. Robert Gluck, Director of Real Estate Services, Department of General Services
Ms. Carmen Hoge, Real Estate Services, Department of General Services
Ms. Nancy Roberts, Deputy Secretary of Health and Human Resources
Mr. Jeff Lake, Deputy Commissioner, Virginia Department of Health
Mr. Ronald Harris, Deputy Commissioner, Virginia Department of Social Services,
Ms. Martha McClees, Intergovernmental Affairs Coordinator, City of Suffolk
Ms. Jackie Russell, Business Manager, Suffolk Department of Health
Mr. Leonard Holton, Director Suffolk Department of Social Services

Executive Summary

Throughout the Commonwealth, localities have a number of different office space arrangements to house local and state agencies. These housing arrangements are made at the locality’s discretion based on their needs, resources and space availability.

The City of Suffolk requested the inclusion of \$6 million GF in the form of a capital outlay lease obligation in the Governor’s FY 2006 capital budget to support the construction of a new 70,000 plus sf building to be built in the core of their downtown area to jointly house the local Departments of Social Services and Health¹. The City of Suffolk planned to finance the remaining capital cost of approximately \$6 million through federal, local and private sources.

Without an additional appropriation earmarked for such a facility, the additional costs to either construct or lease a building to house the Health and Social Services Departments would be taken from Suffolk’s current state allocation which would have the effect of diverting funds from direct care services.

The approach taken to assess the feasibility of constructing a new Human Services Building in the City of Suffolk was threefold: 1) examine the fiscal and programmatic advantages of co-location; 2) evaluate the space needs of the Health and Social Services

¹ The Suffolk local health department is also the site of the Western Tidewater Health District management team which oversees local health departments in the cities of Franklin City and the counties of Isle of Wight and Southampton in addition to Suffolk City. While the term *Suffolk Health Department* is used throughout the report the findings were based on an acknowledgement that the management team has a regional role beyond the City of Suffolk.

Departments; and, based on these findings, 3) assess construction, renovation and leasing options.

It is the policy of the Commonwealth that “consolidation and co-location shall be given priority consideration in seeking new space or renewal of existing rental space.” Agency co-location reduces expenditures and allows for more efficient use of space through sharing common areas (i.e. reception, file rooms, conference rooms) than if agencies are housed independently. The overall net space requirements of agencies which are co-located should be less than the sum of the agencies’ space needs when factored independently.

Co-location of services in the human services arena has long been recognized as an industry best practice. However, from an implementation standpoint, because of differing eligibility criteria to access various human services programs and the absence of a seamless interface between data systems, no agency can precisely identify shared clients save through anecdote or a manual count of current caseload. These limitations render co-location an ideal based more on theory of practice than actual application.

The Suffolk Health Department currently operates out of a building constructed in the 1950s which is owned by the City of Suffolk and has many deficiencies. The building, along with additional trailer space, totals 16,230 square feet. The locality initially projected their space needs in the year 2025 to be 36,215 square feet. The Department of Social Services currently occupies 29,000 square feet and initially projected its space needs to be 50,154 square feet in 2025. The Department of Social Services’ current site has minor limitations and relocation to new space would only be based on projected staff growth. By co-locating the two agencies the City of Suffolk calculated they would save 12,088 square feet and proposed a building with 74, 281 usable square feet which would accommodate both agencies through the year 2025.

The Department of General Services worked with both local departments to revise the proposed space requirements based on the new Commonwealth standard of 210 useable square feet per full time staff equivalent. The review resulted in a reduction to the recommended usable square footage to 26,500 for the Health Department and 38,324 for Social Services for the year 2025. After determining co-location efficiencies, the revised total space needs for a combined Human Services building is estimated to be approximately 56,100 usable square feet, a 24% reduction from the initial 74,281 usable square foot estimate. Applying a 15% core factor to the revised usable square foot requirement of 56,100 for building infrastructure would result in a total building size of approximately 64,500 square feet.

Suffolk identified two options; either renovate the current Health Department Building or build a new Human Services Building. After careful review and assessment of the information provided by the City of Suffolk, recalculations of the space needs of the two agencies as stand alone buildings and as a co-located facility coupled with a site visit to inspect the current Health Department space as well as the proposed site for a co-located building, three additional options have been identified.

1. Renovate the current space occupied by the Suffolk Health Department.

Local officials estimate it will cost in excess of \$1.75 million to appropriately renovate the Health Department Building. While it is possible to rehabilitate the building, the limitations of the building and site would still render it inadequate for the current staff levels let alone those projected for 2025. Given these limitations, renovation of the current space is not considered a feasible option.

2. Re-build a Health Department on the current site

The Health Department is currently sited on a 1.33 acre parcel of land with setback and storm water management requirements around the perimeter of the property which limits the space available for construction on the current site. In addition to the 26,500 usable square feet required for a new Health Department building based on 2025 needs, there is a city requirement of one parking space per 400 square feet which would make the current site inadequate to meet the projected space needs and is therefore not considered a feasible option.

3. Relocate the Health Department in leased space.

Based on the revised space needs of the Health Department of approximately 24,000 usable square feet currently and 26,500 usable square feet in 2025, market surveys were conducted in July and in September of 2005. The survey attempted to identify buildings which met needs of the Health Department (i.e. located in the downtown area on a bus line) and no available leased space was identified.

4. Build a stand alone Health Department building on site identified by the locality.

Based on the compelling and immediate issues that must be addressed, it is reasonable to present an option that includes a stand alone building to house just the Health department. The size of a newly constructed Health building should be based on 2025 projections to ensure the building meets the needs of the locality's projected growth. Applying a 15% core factor to the revised Department of Health usable square foot requirement of 26,500 for building infrastructure would result in a total building size of approximately 30,500 square feet. The city of Suffolk could chose to begin the construction of their envisioned Municipal Service campus with a smaller building and add additional buildings in the future.

Construction of a new building could occur under the provisions of the Public-Private Education Facilities and Infrastructure Act of 2002. Other alternatives would include a City constructed building or a "build to suit" by a private developer outside of a PPEA solicitation. Construction costs for a 30,500 square foot average to good Class B office

building plus the additional cost of the land identified by the city as the preferred site is estimated to range from \$4.2 to \$5.5 million.²

The Virginia Department of Health concurs with identified space needs of the local department totaling 26,500 usable square feet. An estimate of the full service lease rates for a newly constructed building is \$18.50 per sf. Applying the 60% state share to the \$564,250 estimated annual lease cost less the state's current expenditure of \$29,400 results in a total of \$338,550 of additional general funds that would need to be added to the state budget to cover the state's share of construction of a stand alone Health Department Building in Suffolk.

5. Build a Human Services building housing both the Department of Health and Social Services on site identified by the locality.

Co-location of human service agencies has been established as a best practice in the field. However, due to the absence of standard eligibility criteria to the services offered by these agencies and the lack of seamless data systems allowing for identification of shared clients, the benefits are intangible. From a real estate perspective co-location allows for the efficient use of space through the shared use of common areas.

Using the revised space needs for both agencies there is an estimated co-location efficiency of approximately 8,700 square feet. If it is the decision to proceed with a new Human Service Building the net space requirements is 56,100 usable square feet. The options for construction for a co-located Human Services building remain the same as they exist for a stand alone Health Department.

Construction costs for 64,500 square foot building average to good quality Class B office building with 56,100 usable square feet plus anticipated cost of land identified by the city of Suffolk as the preferred site is estimated to range from \$8.6 to \$11.3 million.

In a co-located 64,500 square foot building the Department of Social Services would be allocated approximately 38,100 square feet and the Health Department 26,400 square feet. Based on an \$18.50 per square foot rental rate for the new building and an assignment of the proportional costs to the two agencies based on their space allocation (41% for Health and 59% for Social Services) the state's share of annual lease costs would be \$504,495, an increase of \$419,535 per year over current state expenditures. Construction of a Human Services building would require a new appropriation to be added to the base of both the local Health and Social Services' state allocation.

Methodology

Representatives from Suffolk prepared a "Feasibility Analysis Report" which formed the basis of discussion when the first meeting was convened the Department of General Services. The Deputy Secretary of Health and Human Resources as well as the Deputy Commissioners from the Departments of Health and Social Services and representatives from the City of Suffolk were also in attendance. The details of the Suffolk plan were discussed and issues requiring additional clarification were identified. General Services worked with both local agencies in revising the original Office Space Questionnaire and

² These construction estimates do not consider any impact of Hurricane Katrina on future construction pricing.

analyzed available office space the Suffolk area. Analysis of the different costs and operational considerations was conducted by General Services and shared with the representatives from Suffolk on a site visit to the locality in early September.

Background

4. Impacted State Agencies

There are three state agencies directly involved in the feasibility study of a Human Service Building in Suffolk: the Virginia Department of Health, Virginia Department of Social Services and the Virginia Department of General Services

Department of Health: The Virginia Health Department oversees the statewide system of local health districts responsible for a wide range of public health activities. All health districts are directly operated by state government except Arlington and Fairfax Counties and the City of Richmond. Funding for Health services is allocated through a state-local cooperative budget. Localities have different matching rates with Suffolk's matching rate established at 40%. These funds cover the provision of services as well as operational costs like rent and equipment. The Virginia Department of Health submits a list of facilities in need of replacement either because the demand for services has outgrown the physical plant or, more often, there are significant problems with the current facility. The agency also submits funding requests to the Department of Planning and Budget and the Secretary of Health and Human Resources from time to time for increases in rent and the ranks these requests according to severity and whether the locality is ready to build or lease.

Department of Social Services: Virginia has a state-supervised, locally-administered social services system. There are 120 local agencies covering the state. These agencies of local government are responsible for determining eligibility for federal and state benefit programs. Under State Code, these agencies also handle the traditional child welfare services such as child protective services (CPS), foster care, adoptions as well as adult protective services (APS). Funding in support of these services and ancillary operational costs is derived from federal, state, and local sources. While each mandated and discretionary social services program has a unique match rate, the proportionate share of funding is approximately 50% federal, 30% state and 20% local.

Department of General Services serves as one of the state's central administrative agency. It has four major divisions, Engineering and Buildings, Purchasing and Supply, Consolidated Laboratory Services and Real Estate Services. Its Division of Real Estate Services was created in January 2005, as part of Governor Warner's Real Estate Initiative to re-engineer the Commonwealth's real estate portfolio management processes, including acquisitions, sales, easements and leases, with extensive collaboration with related agencies. The Division manages the Commonwealth's real estate and maximizes the use of owned and leased spaces in the Commonwealth throughout the state.

5. The Locality's Request

The City of Suffolk requested the inclusion of \$6 million in the Governor's FY 2006 capital budget in the form of a capital outlay lease obligation to support the construction of a 70,000 plus square foot building to be built in the core of their downtown area to jointly house their local Departments of Social Services and Public Health. The request was prompted by the inadequate space and deteriorating building conditions at Suffolk's Health Department.

The City of Suffolk planned to finance the remaining capital cost of approximately \$6 million through federal, local and private sources. The locality recommended construction on a 4.08 acre downtown brownfield redevelopment site due to its proximity to public transportation routes and other public service agency buildings. Co-location of the two departments was recommended by the city due to the perceived overlap in client population and the advantages of a "one stop" approach service delivery and in support of the Commonwealth's Real Estate Initiative. Suffolk estimated that by housing the two agencies in one building, approximately 12,088 square feet of efficiencies could be realized through the shared use of waiting rooms, children's play area, classrooms, receptionist areas and central files.

The city currently owns the building which houses the Health Department and leases the space for the local Department of Social Services. The building which houses Suffolk's Health Department is 50 years old and according to the July 2005 feasibility analysis the locality prepared for the Department of General Services has inadequate space and "significant deficiencies" with respect to recurring water leaks and HVAC design limitations resulting in building mold and air quality concerns. Additionally the building is not compliant with the requirements of the Americans with Disabilities Act. Necessary renovations coupled with the cost to remedy the HVAC and roof problems as well as other repairs and upgrades required are estimated at \$1.75 million according to the local officials. Renovating the building is not the preferred approach for the locality as the building is unable to meet the current and projected space requirements of the agency.

The original Health Department building was built in 1952 with an addition added in 1977. As with many other localities the building is owned by the city and the state Health Department pays for a portion of the operating and maintenance costs (60%) through the cooperative health budget. The current lease agreement of the building is for 11,910 square feet at an annual cost of \$40,134. The city also leases a 1,440 square foot trailer to house one division of the Health Department for an annual cost of \$8,894. Lease amounts are average \$3.67 per square foot. A 2,880 square foot trailer is used to store equipment and for central supply. While this space was donated and does not incur any cost to the state or the locality, it does represent additional space requirements of the agency.

The Hill-Burton Act, the Nation's major health facility construction program under Title VI of the Public Health Service Act was enacted in 1946. Originally designed

to provide Federal grants to modernize facilities, the program has changed over time to address other types of infrastructure needs. Hill-Burton facilities must provide a specific amount of free care per year, but can stop services once they have reached their designated service threshold. Obligated facilities providing these services must maintain public or nonprofit status for a period of 20 years. Since 1946, more than \$4.6 billion in grant funds as well as \$1.5 billion in loans have been provided to nearly 6,800 health care facilities in over 4,000 communities. Virginia took advantage of Hill Burton Act funds to, in effect, subsidize the purchase and renovations of buildings where local health care services were provided. After the expiration of the 20 year period, local governments lease the space to the state to pay for operating and maintenance costs which are substantially below market value, hence the low per square foot cost the City of Suffolk charges for the space.

The Health Department's current facilities total 16,230 square feet and the locality estimated their space needs in 2025 to total 36,215 usable square feet. The multitude of limitations of the building and the projected space needs based on the growth of the jurisdiction prompted the locality to conclude that constructing a new building would meet the needs of the locality more completely than attempting to renovate the exiting building.

The Suffolk Department of Social Services is in 29,000 square feet of leased office space and the locality estimated their space needs in 2025 to total 50,154 usable square feet. The building was constructed in the 1980's and also houses the locality's Department of Technology and the Virginia Extension Service. The space is leased at a rate of \$6.40 per square foot for a total annual amount of \$185,200 of which the state pays 30 % or \$55,560 annually. The facility is in adequate condition but due to its fixed wall construction, it offers little flexibility to accommodate future growth and does not provided adequate meeting/training room space.

The City's space needs for both the Public Health and Social Service agencies were calculated on a 20 year projection. Suffolk is one of the fastest growing cities in the Commonwealth with an approximate 4% increase of population annually. The City estimates its current population of 76,000 will grow to 120,616 in 12 years and, according to their feasibility study "balloon to 193,937 in 2030". With additional city residents the locality calculates additional staffing will be required by both Social Services and Health and a concomitant need for more agency space. The originally anticipated spaces requirements in 2025 at 50,154 square feet for the Department of Social Services and 36,215 for the Public Health Department for a total of 87,369 square feet parallel a 1997 study commissioned by the locality by space consultants Moseley Harris & McClintock. After factoring in projected co-location efficiencies the locality proposed a 70,756 square foot building to house the two agencies at that time.

Throughout the state, localities use a number of different office space arrangements to house their public sector agencies. Agencies are sited in locality owned buildings, leased space; single agency housing or co-location among a number of public sector agencies is found in a variety of permutations. In most cases the office space arrangements are made at the locality's discretion based on their needs, resources and space availability. The

decision to co-locate services is strictly made at local discretion. Obviously a key factor localities weigh in making their space arrangements is the portion of the costs which would be met through state or federal funds allocated via a variety of funding streams. The uniqueness in Suffolk's is their request for the state to finance a long term lease in anticipation of future space needs. Without a separate designated capital fund allocation, the costs for construction of a new building would divert funds from direct services.

6. Co-location

It is the policy of the Commonwealth as stated in the guidelines established by the Department of General Services that "Consolidation and co-location shall be given priority consideration in seeking new space or renewal of existing rental space". From a real estate perspective co-location is advantageous to the Commonwealth as it reduces expenditures and allows for more efficient use of space through sharing common areas (i.e. reception, file rooms, conference rooms) than if agencies are housed independently. The overall net space requirements of agencies which are co-located are less than the sum of the agencies' space needs when factored independently.

Co-location of services in the human services arena has long been recognized as an industry best practice. Routinely human service agencies share many of the same clients on their caseloads. Providing an array of services which meets the clients' needs in a single building has been found to increase the likelihood that assessments of their needs are more comprehensive and clients are more likely to follow through on developed service plans. However, from an implementation standpoint, because of differing eligibility criteria for various human services programs and the absence of a seamless interface between data systems no agency can precisely identify shared clients save through anecdote, case staffing activity and /or a manual count of current caseload. The chances that a client will have appointments with two different agencies sharing the same building scheduled on the same day are improved but in no way guaranteed given the current operational limitations. These limitations render co-locate an ideal based more on theory of practice than actual application.

Findings

In their feasibility plan the City of Suffolk projected the space needs of the two Departments for the year 2025. The Commonwealth's new space standards adopted as part of the Governor's Real Estate Initiative allocates 210 usable square foot per full time employee to each *currently* approved number of Full Time Equivalent employees. The Suffolk Health Department has 79 employees in FY2006. The locality originally identified their space needs requirements as 34,423 square feet, over twice the amount of their current space. They based their projected space requirements on 106 employees (a 34% increase) in 2025 for a total space needs of 36,215 square feet. Local health departments do require special consideration in the calculation of their space needs given the nature of their service activities, which include providing physical exams, lab work and waiting room requirements.

The Department of Social Services staff level is currently 127 (including agency volunteers) and the locality originally estimated their current space needs at 37,605 usable square feet (8,605 feet more than the space they currently occupy). Staffing levels are projected to grow to 184 in 2025 (a 45% increase) and the locality estimated its space requirements at 50,154 usable square feet in 2025.

The projected increase in staffing of the two agencies in 2025 totals 84 new employees. The increase in employees and anticipated growth of the population served was estimated to require approximately 14,000 square feet of additional space by 2025. Suffolk estimated the stand-alone square footage needs of the two departments to be 86,369 square feet and the co-located proposal to total 74,281 square feet creating an efficiency of 12,088 square feet.

The Department of General Services analyzed the space plans of the two departments as stand alone agencies and in a co-located scenario. Office Space Questionnaires were developed by management staff from the two agencies and analyzed by the Department of General Services, factoring in the Commonwealth's new office space standards. The focus of the analysis was for 2025 as it is understood that in planning for space needs one must anticipate future growth. While one could argue that a ten year planning horizon may be more appropriate, for the purposes of this study a 20 year growth projection was used.

Following review of the individual agency space requirements by the Department of General Services, the estimated individual space needs for the Department and Health and Social Services were revised to 26,500 and 38,324 usable square feet respectively. Space efficiencies from co-location is estimated to result in a savings of an additional 8,724 square feet and therefore a combined Human Services building with 56,100 usable square feet should accommodate anticipated growth through 2025. This recommendation of a building with 56,100 usable square feet represents a 24% reduction in size from the building originally proposed and forms the basis of the options for consideration presented below.

Options for Consideration

The approach taken to assess the feasibility of constructing a new Human Services Building in the City of Suffolk was threefold: 1) examine the fiscal and programmatic advantages of co-location; 2) evaluate the space needs of the Health and Social Services Departments currently and in standard timeframe used to project future needs and, based on these findings; and 3) assess construction, renovation and leasing options.

Suffolk presented the Department of General Services with two options; renovate the current Health Department Building or build a Human Services Building. After careful review and assessment of the information provided by the City of Suffolk, recalculations of the space needs of the two agencies as stand alone buildings and as a co-located facility coupled with a site visit to inspect the current Health Department space as

well as the proposed site for a co-located building, three additional options have been identified and are discussed below.

1. Renovate the current space occupied by the Suffolk Health Department.

As the local Department of Social Services has no immediate nor compelling reason to find new space (save for planning for projected growth) and the Health Department has a pressing need to find adequate and appropriate space, consideration should be given to just focusing on the Health Department and acknowledge the lost opportunity not to co-locate with the Department of Social Services. Local officials estimate it will cost in excess of \$1.75 million to appropriately renovate the current Health department building. Only one wing of the building would allow for construction of a second floor which would provide an approximate 4,600 square feet. As it is a locally owned building the cost for repairs would be the sole responsibility of the City of Suffolk. While it is possible to rehabilitate the building, the limitations of the building and site would still render it inadequate for the current staff levels let alone those projected for 2025. Given these limitations, renovation of the current space is not a feasible option.

2. Re-build a Health Department on the current site.

The Health Department sits on a 1.33 acre plot on Route 460 across from a Lowes and Wal-Mart shopping center. According to city officials the current real estate assessment of the land is \$294,300 and the building is assessed at \$889,100. The site has set-back and storm water management requirements around the perimeter of the property which limits the space available for construction. In addition to the 30,500 square foot total building size required for a new Health Department building based on 2025 needs, there is a city requirement of 1 parking space per 400 square feet which would make the current site inadequate to meet the projected space needs and is not considered a feasible option.

3. Relocate the Health Department in leased space.

Based on the revised space needs of the Health Department of 26,500 usable square feet market surveys were conducted in July and September of 2005. The surveys attempted to identify buildings which met needs of the Health Department (i.e. ADA compliant and on a bus line located in the downtown area) but no available leased space was identified. The Department of General Services also reviewed for other state agencies already in leased space in Suffolk. Only the Virginia Employment Commission, the Departments of Corrections and Conservation and Recreation and several ABC stores were identified. While these agencies have leases which are set to expire within 24 to 36 months in order to identify if they present possibilities for the Health Department with respect to co-location opportunities, a separate analysis beyond the scope of this report would have to be conducted. While market conditions do change, given the current lack of appropriate available existing space for lease, this option is not considered a feasible option.

4. Build a stand alone Health Department building on site identified by the locality.

Based on the conditions of the two buildings, it is the conclusion of the study participants that the immediate need is to attend to the Health Department and locate space where they are able to better fulfill their statutorily required responsibilities. The space requirement of a new building should be based on 2025 projections to insure that the building meets the needs of the locality and its projected growth. (It should be noted that the increase of staffing levels is attributable only to the increase in Suffolk's population as there are no new health initiatives envisioned which would result in an increase of required staffing levels). The City could build a new building for the Health Department on the site they selected for the combined Human Service Building as part of the Municipal Service complex or on another site which meets their requirements of location on a bus line and reasonably assessable to the other public service agencies. No information is available at this time to ascertain if there is a cost differential between the site the City has identified versus an alternative site.

Construction of a new building could occur under the provisions of the Public-Private Education Facilities and Infrastructure Act of 2002 (the "PPEA") which allows responsible public entities to create public-private partnerships for development of a wide range of projects for public use if the public entities determine there is a need for the project and that private involvement may provide the project to the public in a timely and cost-effective fashion. The approval of the Governor of the Commonwealth of Virginia is required to enter into a comprehensive agreement pursuant to the PPEA. Using the PPEA approach would allow private entities to include innovative financing methods, such as the issuance of debt instruments, equity or other securities or obligations.

Other alternatives would include a City constructed building or a "build to suit" by a private developer outside of a PPEA solicitation. Construction costs for a 30,500 square foot average to good quality Class B office building with 26,500 usable square feet plus the anticipated cost of the land identified by the City as the preferred site is estimated to range from \$4.2million to \$5.5 million dollars if bid today. These construction costs are based on data from Marshall & Swift, a nationwide construction estimating guideline that is used throughout the state. These construction estimates do not consider the impact from Hurricane Katrina in future construction pricing nor does it consider any moving, furniture or other relocation costs.

The state currently contributes 60% towards the \$49,000 paid in rent on the Health Department Building. The Virginia Department of Health concurs with the final recommendation of space needs of the local department totaling 26,500 usable square feet, which results in a building size of 30,500 after applying a 15% core factor for building infrastructure. Applying an estimated full service lease rate of \$18.50 to the building size results in an estimated annual lease cost of \$564,250. Applying the 60% state share to the annual lease costs results in a new annual state share of \$338,550 less the state's current expenditure of \$29,400 or a total of \$309,150 of new money that would need to be added to the annual state budget to cover the state's share of construction of a stand alone Health Department Building in Suffolk. Construction of a

stand alone Health Department Services building would require a new appropriation to be added to the base of the local health state allocation.

Total building square footage	Cost per foot (\$18.50)	State Share (60%)	Current state allocation	Total new state funds required
30,500	\$564,250	\$338,250	\$29,400	\$309,150

5. Build Human Services building housing both the Department of Health and Social Services on site identified by the locality.

Co-location of human service agencies has been established as a best practice in the field. However, due to the absence of standard eligibility criteria to the services offered by these agencies and the lack of seamless data systems allowing for identification of shared clients, the benefits are intangible. From a real estate perspective co-location allows for the efficient use of space through the shared use of common areas. In the case of Suffolk, using the revised space needs for both agencies (26,500 usable square feet for Health and 38,324 usable square feet for Social Services) and the co-location efficiency of 8,724 square feet, it is recommended that a Human Services building with 56,100 usable square feet will meet the locality’s needs. The Social Service’s building does lack the flexibility to re-configure office space to adapt to changes in staffing levels and is without an adequate space for large meetings. However, given the condition of the two buildings the less pressing need is for Social Services to be re-located. The options for construction for a co-located Human Services building with respect to the use of private developers, tax advantages and PPEA remain the same as they exist for a stand alone Health Department.

Construction costs for a 60,500 square foot average to good Class B quality office building with 56,100 usable square feet plus the anticipated cost of the land identified by the City of Suffolk as the preferred site is estimated to range between \$8.6 to \$11.3 million if bid today. These construction costs are based on data from Marshall & Swift, a nationwide construction estimating guideline that is used throughout the state. These construction estimates do not consider the impact from Hurricane Katrina on future construction pricing nor does it consider any moving, furniture or other relocation costs.

Based on an \$18.50 annual full service lease rate for a new 60,500 square foot space building with 41% allocated to the Health Department and 59% to Social Services, the cost for Department of Social Services is estimated to be \$704,850 annually of which the state share is \$211,455 less the current allocation (\$55,560) requiring \$155,895 of new funding. The state share for the Health Department annual lease cost of \$488,400 would be \$293,040, less their current allocation (\$29,400) requiring \$263,640 in new funds. The total state annual share for a new Human Services building is estimated to be \$504,495 with the remaining funds coming from federal and local sources. Construction of a new Human Services building would require a new appropriation to be added to the base of both the local Health and Social Services’ state allocation (\$263,640 and \$155,895 respectively).

	Allocated Building Square footage	Cost per foot (\$18.50)	State Share	Current state allocation	Total new state funds required
Health	26,400	\$488,400	\$293,040	\$29,400	\$263,640
Social Services	38,100	\$704,850	\$211,455	\$55,560	\$155,895
Human Services	64,500	\$1,193,250	\$504,495	\$84,960	\$419,535