

# **CAPITAL PLANNING ADVISORY BOARD**

## **Minutes of the 2nd Meeting of the 2018 Calendar**

**September 18, 2018**

### **Call to Order and Roll Call**

The 2nd meeting of the Capital Planning Advisory Board was held on Tuesday, September 18, 2018, at 10:00 AM, in Room 169 of the Capitol Annex. Senator Stan Humphries, Chair, called the meeting to order, and the secretary called the roll.

Present were:

Members: Senator Stan Humphries, Co-Chair; Senator Whitney Westerfield, Representative DJ Johnson; Charles Byers, John Chilton, Carole Henderson, John Hodgson, Stephen Knipper, and Katie Shepherd.

Guests: Scott Aubrey, Director, and Nancy Brownlee, Staff Assistant, Division of Real Properties, Andy Casebier, Director, Division of Engineering and Contract Administration, Finance and Administration Cabinet; David Beck, Chief Executive Officer, Kevin Moore, Chief Financial Officer, and Cody Patterson, Director of Communications, Kentucky State Fair Board.

LRC Staff: Shawn Bowen and Jennifer Luttrell.

### **Approval of Minutes**

A motion to approve the minutes of the August 21, 2018 meeting was made by Senator Westerfield, seconded by Representative Johnson, and approved by voice vote.

### **Information Item**

Ms. Bowen briefed members on the capital planning process for the 2020-2026 planning period. Starting in May 2019, the board will meet the third Tuesday of each month at 10 a.m., with the exception of the July meeting, which will start at 9:30.

Ms. Bowen noted there was one change to next year's capital planning process. In place of the LRC Statewide Debt Report, the Office of State Budget Director will provide a presentation on the state's financial outlook. This report is provided annually to the A & R Committee and is similar in nature to the LRC Statewide Debt Report.

### **Capital Plaza Redevelopment Project in Downtown Frankfort Presentation**

Mr. Aubrey gave an overview of the Capital Plaza Redevelopment project located at 500 Mero Street in downtown Frankfort, Kentucky. The project includes demolition of

the Capital Plaza area, except for the YMCA, hotel, and associated parking, and construction of a 385,500 square-foot office building for about 1,500 employees. Construction will also include a parking garage attached to the Transportation Cabinet Office Building parking garage.

Senate Bill 238, 2017 Regular Session of the Kentucky General Assembly, authorized the Finance and Administration Cabinet to enter into a public-private partnership, built-to-suit lease agreement for the renewal of the Capital Plaza Complex. The procurement process for built-to-suit projects is part of a public-private partnership whereby the company constructing the building will finance the cost of construction. The property was conveyed to CRM/DW Wilburn LLC and is being leased to the commonwealth. At the fulfillment of the lease term, the property will be returned to the commonwealth. The lease will have a maximum annual cost of \$7,594,254, with biennial renewals through June 30, 2050.

In response to questions from Senator Westerfield, Mr. Aubrey said the occupants of the building will be selected by the end of the year. If employees are transferred to the new building from state-owned space, tenants currently occupying leased space will be relocated to the vacated state-owned space.

Representative Johnson requested that the Finance Cabinet provide a list (when available) of the state agencies that will occupy the new facility, including the disposition of the agencies' current leased or state-owned space.

In response to a question from Representative Johnson, Mr. Casebier explained that Leadership in Energy and Environmental Design (LEED) is a green building certification program administered by the U.S. Green Building Council. There are four levels of certification: certified, silver, gold, and platinum. To achieve certification, new or remodeled buildings must include certain energy saving measures and HVAC improvements that create a healthier environment for employees.

In response to questions from Mr. Chilton, Mr. Aubrey stated that the rent will be paid to the landlord, CRM/DW Wilburn LLC, and at the fulfillment of the lease term, the property will be returned to the commonwealth. CRM/DW Wilburn is responsible for maintaining and managing the building during the term of the lease agreement. Mr. Casebier added that the cost of the furniture will be financed through J.P. Morgan for a term of eight years. Agencies occupying the facility will be responsible for the cost of the furniture.

In response to another question from Mr. Chilton, Mr. Casebier said the new building does not include a large number of meeting spaces or a food services area. The facility was designed in this manner to avoid interfering with downtown businesses.

Employees may utilize the Transportation Cabinet Building cafeteria located next door, the Capital Plaza Hotel, and other downtown businesses.

In response to questions from Mr. Knipper, Mr. Aubrey said the new building will consolidate state agencies located in multiple buildings. Finance and Administration Cabinet leadership and other cabinet officials will make the final determination.

Senator Humphries asked why construction is so far ahead of schedule. Mr. Casebier stated that the developer is utilizing the built-to-suit method which enables him to take certain risks that speed up construction. He noted that the same developer and construction team were used for the 300 Building, and the building design is similar to the 300 Building.

In response to another question from Senator Humphries, Mr. Aubrey said the final completion date for the facility and the parking garage is October 2019.

Senator Humphries asked what steps the developer will take to ensure the building is maintained properly over the life of the 30-year lease. Mr. Casebier said the developer is using high-quality construction materials which will help extend the life of the building well beyond 30 years. At the fulfillment of the lease term, when the property is returned to the commonwealth, warranties will still be in effect for the roof, chillers, and other construction materials.

### **CHR Building and Health Services Building (HSB) Facility Study Presentation**

Mr. Casebier provided an overview of the CHR building and HSB building facility study conducted by Sherman Carter Barnhart Architects. Facility assessment studies of state-owned buildings are conducted when facilities are close to 50 years old. The results of the studies are used by the Division of Engineering to determine future construction needs. The two buildings received facility assessment scores of 43 and 35.9 respectively.

The results of the study provided four options. Option one, at a cost of \$123,660,000, consists of renovations and updates required to meet current functional requirements and to bring the CHR and HSB buildings into compliance with Kentucky building and energy codes and ADA requirements. Option two, at a cost of \$119,030,000, consists of renovations and updates required to meet current functional requirements and to bring the CHR building into compliance with Kentucky building and energy codes and ADA requirements. This option also includes the construction of a new HSB building attached to CHR Building. Option three, at a cost of \$4,450,000 is an additive option and would be completed in conjunction with option one or two. The project would construct an elevated parking deck with access from the upper-level roadway, and add 185 parking spaces and have ADA compliant spaces with access to the main building lobby. The last option, determined to be the best choice, would provide for a major renovation of the CHR building, and demolition and reconstruction of the HSB building separate from the CHR

building. The new HSB building will consist of an approximate 150,000 square foot facility sited on the back parking lot of the CHR property. The project is estimated to cost \$128,820,000.

In response to a question from Senator Westerfield, Mr. Casebier said the CHR building will be renovated while the building is occupied. To free up space in the CHR building, tenants that are not part of CHR would be relocated to other space. The unoccupied space would then become swing space to be utilized by CHR staff as various areas of the building are being renovated.

Mr. Knipper asked if the facility assessment score for the building will be reevaluated based upon the selection of option four. Mr. Casebier said whichever option was undertaken, one, two or four, in essence, changes the assessment score.

In response to a question from Mr. Hodgson, Mr. Casebier explained that option four was selected because it is more cost effective, and it includes advantages not associated with the other options.

### **Kentucky State Fair Board/Kentucky Exposition Center Presentation**

Mr. Beck said the Kentucky State Fair Board (KSFB) oversees two convention facilities in Louisville, the Kentucky Exposition Center (KEC) and the Kentucky International Convention Center. The facilities host a variety of events throughout the year.

The 2018-2020 Executive Budget authorized three capital projects for the Tourism, Arts, and Heritage Cabinet, KSFB: Construct Gate One Hotel, Construct Hotel Development, and Construct Agri-Plex. The projects will be constructed on land at KEC.

Mr. Beck said KSFB is seeking innovative development concepts to more fully utilize and maximize its return on the KEC property while providing an attractive investment for private sector developers and maintaining the core mission of KSFB.

On May 16, 2018, the Finance and Administration Cabinet released a Request for Information relative to the development of a hotel(s), restaurants, entertainment venues, and retail outlets at KEC. The responses to the solicitation may potentially be used to create one or more Requests for Proposal for construction of the hotel(s) and associated facilities. Responses were due June 19, however, the due date was extended to July 12.

The project will include two parcels of land totaling 133 acres. Parcel 1 is 45 acres located on the south end of the property bordered by I-65, I-265, Phillips Lane and the main entrance to KEC. A portion of this property was previously considered for a full-service hotel attached, via pedway, to the KEC South Wing to serve as a focal point at the entrance to KEC. Parcel 2 includes approximately 88 acres on the north end of the property bordered by I-65 and the northern entrance to KEC facilities. It includes two vacant structures and

two occupied buildings. Old Cardinal Stadium will be demolished prior to the development. KSFB also desires to develop an approximate 8-acre portion of parcel 2 as a multi-purpose exposition center. The facility will be constructed by a third-party developer and leased back to KSFB from the developer for a designated period of time.

In response to questions from Senator Humphries, Mr. Beck stated that Cardinal Stadium would be demolished in early 2019 or as soon as possible without interrupting events.

In response to a question from Senator Humphries regarding the projected revenues from the new hotel development project, Mr. Beck said the hotel could be a good revenue source. KSFB's goal is to add full-service lodging, as well as food and entertainment amenities for guests attending events at its facilities. The potential revenues may come from the lease of the property and from the sales side as well.

#### **Other Business**

Senator Humphries said the board will convene its next meeting in May 2019.

#### **Adjournment**

There being no further business, the meeting was adjourned at 11:10 a.m.