County Facility Consolidation Fiscal Impact Analysis

Assessment of the fiscal impact of consolidating select county administrative functions into a single facility

James City County, Virginia

Prepared by:

RKG Associates, Inc.
www.rkgassociates.com

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Project Approach and Intent

Project Context

- **Several factors had to be considered to for an ‘apples-to-apples’ comparison. RKG utilized a variety of data sources and input from JCC leadership and staff.**
- **Previous analysis prepared by Moseley Architects identified county has substantial existing and projected administrative space needs**
- **The James City County facilities master plan calls for the consolidation of some central administrative services into a single facility**
  - Will reduce the overall footprint of the county administration
  - Creates intra- and inter-office operational efficiencies
  - Centralizes county services into single location
- **Facilities considered for this effort include**
  - JCC Government Center (Mounts Bay Road)
  - Ironbound Village (Palmer Lane)
  - Fire Administration Building
  - IRM Community Video Center
  - Emergency Operations Center (EOC)
  - Human Services Center
  - WJCC Schools Administration and Annex Buildings


Source: James City County

Source: The Lafayette Leader

Project Context

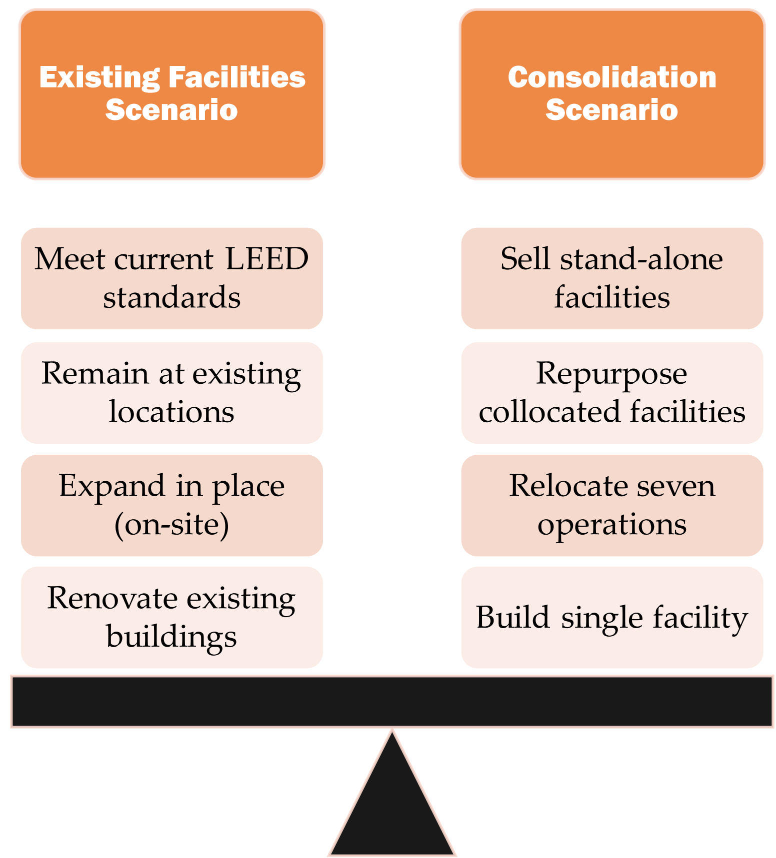
The administrative operations in these seven locations currently require additional building space to adequately function. The need increases based on County growth projections. This unmet need is not unique to these seven locations, James City County space needs are substantial across all departments.

Facility	Existing Building Space (SF)	Current Space Needs (SF)	Future (2040) Space Needs (SF)
Mounts Bay	58,539	74,078	89,877
Palmer Lane	10,002	20,930	23,603
Fire Admin	10,655	15,284	17,606
IRM Video	3,893	7,355	7,568
EOC	8,097	13,284	13,529
Human Services	18,515	29,413	32,841
WJCC Admin	51,168	50,881	59,429
Subtotal	160,869	211,225	244,453
All JCC Needs	**400,184**	**546,445**	**624,630**

Analysis Approach

This fiscal impact analysis quantifies the potential capital (cost of construction/renovation of building space) and operational (cost to run these departments) impacts of consolidating these services into a single facility

- **To effectively measure the fiscal impact of a new consolidated facility on county capital and operational budgets, RKG Associates had to compare a 'control' scenario to a 'change' scenario**
    - The control scenario (called the **Existing Facilities Scenario**) assumes the county will continue to operate these functions at their current location and expand building space on-site (where possible)
    - The change scenario (called the **Consolidation Scenario**) assumes all county functions at these seven facilities are consolidated into a central facility to be constructed
    - Without a comparison, it is impossible to determine whether a consolidation strategy will have positive, neutral, or negative fiscal impacts on the county's fiscal health
    - A 'do not change' scenario was not considered because the County already has greater space needs than the existing facilities can accommodate



What Did We Measure?

For each scenario, we had to measure the fiscal impacts slightly differently, given the uniqueness of each facilities program. While the scenarios varied, the outputs were consistent to provide direct comparison.

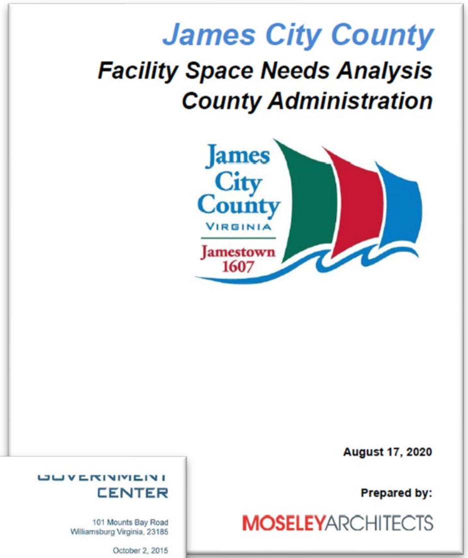
- **Existing Facilities Scenario**
  - Capital costs of maintaining the existing facilities
  - Capital costs of renovating existing facilities to LEED Silver status
  - Capital costs of new construction of the space to address current/future needs
  - Operating costs to maintain existing and new building space
  - Economic costs of continuing to operate at remote facilities (e.g., VMT and lost staff time)
- **Consolidation Scenario**
  - Capital costs of constructing a new consolidated administration building
  - Moving costs associated with relocation
  - Capital revenues from the sale of specific facilities
    - Mounts Bay Road, Ironbound Village, Human Services Center
    - Other collocated facilities repurposed for JCC/WJCCPS use
  - Operational costs to maintain existing (until relocation) and new facilities
  - Net fiscal impact from the private use of the disposed assets (revenues and expenditures)
    - Fiscal impact based on the County's fiscal impact model

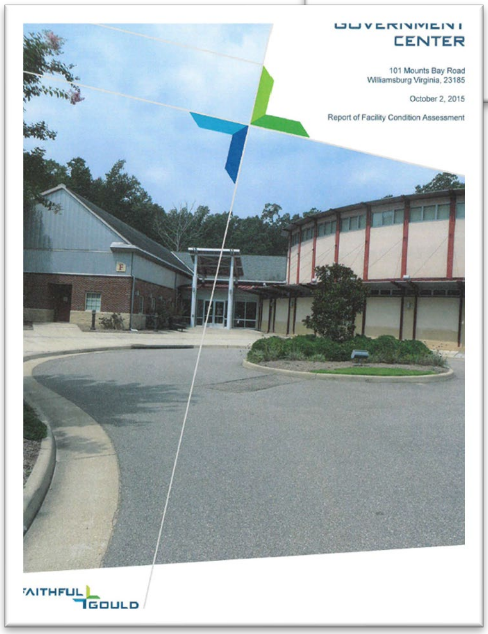
Methodology

Analysis Parameters

RKG Associates relied upon the extensive work already completed by the County and its other consulting teams working on the facilities master plan to populate the fiscal impact model. Where data was not available, RKG Associates used industry standard calculations developed over its 40+ years of performing these analyses.

- **Operating Costs**
  - Averages calculated from previous two years actual operating costs
  - Analysis of the costs for utilities by ClarkNexsen
- **Capital Costs**
  - Analysis done by Mosely Architects and Guernsey Tingle Architects
  - Research into costs of construction (e.g., Marshall & Swift Valuation Services)
  - Data provided by County General Services Department
- **Valuation of Assets**
  - Analysis done by RJS & Associates
  - Calculation of the potential market value based on market viable future uses
- **Efficiency Analysis**
  - Analysis performed by GTA and RKG Associates
  - Interviews with department representatives in each facility





Scenario Considerations

The fiscal impact modeling had to consider several market-based factors that will affect the financial and fiscal performance for each scenario. RKG worked with Guernsey Tingle Architects, ClarkNexsen, RJS & Associates, Inc., as well as James City County administrators and department heads to create locally-relevant and market accurate assumptions. The following highlight the most pertinent factors.

- **Existing scheduled renovations are projected to occur in both scenarios**
  - Whether continued operation or sale/repurposing, the buildings need to be maintained and updated
- **All renovation and new construction work will begin in 2024**
  - This assumption accounts for going through the design and review process
  - New construction work is projected to take two years (both expansion and new development)
  - Land development, new construction, and rehabilitation costs were calculated for each facility based on site and building needs/costs
  - All new construction and substantial rehab work are expected to meet the county's sustainability plan
- **The disposition of those facilities to be sold in the Consolidation Scenario occurs in 2027**
  - With construction ending in 2026, the sale of the property is projected to occur the next year
  - The sale price was appraised by RJS based on potential use/redevelopment
    - Mounts Bay Road estimated to be mixed use development maintaining office space while accommodating new housing

Scenario Considerations

- **To stabilize the impact of the time-value of money, the fiscal impact analysis is reported in 2022 dollars.**
  - The model assumes that inflation and cost escalation will be consistent into the near future.
  - While construction costs have (and most likely will) fluctuate differently than the inflation rate, it is impossible to model this accurately. The impact of this also is mitigated due to the similar timelines for construction and rehabilitation in both scenarios.
  - It is important to remember the analysis is not intended to predict the future, but rather compare the fiscal impacts for two alternatives to meeting the county's future building needs. Thus, both scenarios will be affected similarly to market/economic changes. While the numbers may vary from the results of this analysis, the relative differences will remain consistent.
- **The consolidated building will have above-ground structured parking.**
  - All current facilities have surface lots, which reduces costs but increases the amount of consumed land
  - Using structured parking reduces the necessary impervious surface area, but substantially increases cost
    - Average surface lot space costs approximately $6,000, compared to $30,000 for a structured space
  - In addition, the structured spaces offer potential to increase security to those spaces while providing covered parking for inclement weather
  - The consolidated scenario assumes that 50% of parking spaces will be structured (the remaining will be surface spaces)
  - The existing facilities scenario did not consider any structured parking, even with the expanded building space

Scenario Considerations

- **The proposed consolidated building design will maintain integrity for the various departments and use appropriate design standards.**
  - Recognizes that some departments have a customer-facing focus, and will need to have a secure and inviting entry
  - The new EOC facility will follow all minimum design standards to ensure compliance with state/federal law
  - The consolidated building campus will be designed to maximize pedestrian flow while strengthening intra-parcel and inter-parcel connectivity
- **The fiscal modeling assumes the county will retain current level of services.**
  - This includes both on-property services as well as service levels for the community
  - Maintaining existing levels of service is critical to be able to compare 'like' scenarios
    - For example, maintaining the same frequency and detail of physical and property maintenance
  - Making this assumption identifies construction and operational efficiencies (and inefficiencies) between the scenarios
    - Consolidated Scenario has an efficiency in maintenance since there will be fewer properties to maintain
  - This assumption is an academic effort, the county's space expansion (either through expanding existing facilities or a consolidated building) may affect levels of service

Scenario Considerations

- **Utility costs and the consumption of fossil fuels are substantial for the county.**
  - Operating several, older buildings at different locations is not efficient
  - County staff and the consulting team quantified current and projected costs
- **Both scenarios assume that any new construction will follow the county's LEED certification requirements, creating new energy efficiencies.**
  - The ClarkNexsen analysis performed earlier in this process reveals LEED certification will reduce cost of utilities, particularly energy use and water/sewer use. Both required design elements and energy-efficient equipment will reduce the carbon footprint of the identified county operations.
  - Based on the proposed development scenarios, energy efficiency is projected to reach at least 20% improvement (on a per square foot basis) for the consolidated scenario over current operations. While the rehab work in the existing facilities scenario will offer opportunities to improve utility efficiency, this scenario is projected to remain less efficient than the consolidated building.
    - Most notably, water usage likely will reduce substantially due to the installation of modern, efficient plumbing and fixtures. The ClarkNexsen model projects water use reduction of approximately 70% to 80% due to LEED standards.
  - In addition to the utility benefits of the consolidated facility, RKG analyzed the potential impact to fossil fuel reduction. Effectively, the county's multiple facilities increases fossil fuel consumption for maintenance operations as well as inter-office meetings (even with increased videoconferencing). RKG interviewed the department heads to understand the potential impact.
    - The analysis revealed that inter-office engagement would increase while reducing driving needs. Further, a more central location in the county (to other facilities) will reduce amount of vehicle miles traveled (VMT).

Analysis Results

Existing Facilities Scenario

- **JCC Government Center (Mounts Bay Road)**
  - Rehabilitate the existing buildings (A-F) and build additional space needs as a new building(s)
- **Ironbound Village (Palmer Lane)**
  - Remain in the three buildings and build additional space through expansions
- **Fire Administration Building**
  - Renovate existing space and accommodate additional demand through an expansion
- **IRM Community Video Center**
  - Renovate existing space and accommodate additional demand through an expansion
- **Emergency Operations Center (EOC)**
  - Build a new facility on the property, with the Emergency Communications Center absorbing the existing EOC
- **Human Services Center**
  - Renovate existing space and accommodate additional demand through an expansion
  - Reclaim space occupied by Olde Town Medical by not renewing lease
- **WJCC Schools Administration and Annex Buildings**
  - Renovate existing space and accommodate additional demand through an expansion

Existing Facilities Scenario

Facility	Current SF	Future SF	Rehab?	New?	Sold?
Mounts Bay	58,539	89,877	Yes	Yes	No
Palmer Lane	15,006	23,603	Yes	Yes	No
Fire Admin	10,655	17,606	Yes	Yes	No
IRM Video	3,893	7,568	Yes	Yes	No
EOC	8,097	13,529	No	Yes	No
Human Services	18,515	32,841	Yes	Yes	No
WJCC Admin	51,168	59,429	Yes	Yes	No
Consolidated Facility	0	0	N/A	N/A	N/A
TOTAL	**160,869**	**244,453**			

Existing Facilities Scenario

- **The cost of construction for the existing facilities scenario ranged due to the mix of rehabilitation and new space development.**
  - Site development costs occurred at all seven locations
  - Construction costs range from $350 to $450 per square foot (PSF)
    - Total of 67, 957 new building square feet
  - Rehabilitation costs estimated to range from $100 to $200 PSF
    - Total of 176,496 rehabbed building square feet
- **Because the existing facilities analysis involves all departments remaining in-place, there are no sale of land (cash infusion) or fiscal benefits (property taxes).**
- **Operation costs are projected to increase from current levels, but at a lower cost per square foot of operation.**
  - Most square feet = more overall costs
  - LEED design and enhanced utilities will reduce the marginal cost PSF

Topic	Value
Rehab/Construction Cost	$65,318,918
Land Development Costs	$4,725,000
New Construction Costs	28,691,031
Rehabilitation Costs	$29,874,887
Surface Parking Costs	$2,028,000
Structured Parking Costs	$0
Existing Operational Cost (Annual)	$686,953
Expanded Operational Cost (Annual)	$893,253
Reversion Value	$0
Net Fiscal Impact of Private Development	$0
Cumulative 30-Year Cost	$91,291,298

Consolidation Scenario

- **JCC Government Center (Mounts Bay Road)**
  - All functions relocated to consolidated facility, property sold for redevelopment
- **Ironbound Village (Palmer Lane)**
  - All functions relocated to consolidated facility, property sold for private use
- **Fire Administration Building**
  - All functions relocated to consolidated facility, property repurposed to expand operations of Fire Station #1
- **IRM Community Video Center**
  - All functions relocated to consolidated facility, property repurposed back to WJCCPS
- **Emergency Operations Center (EOC)**
  - All functions relocated to consolidated facility, building repurposed for the Emergency Communications Center
- **Human Services Center**
  - All functions relocated to consolidated facility, property sold for private use
- **WJCC Schools Administration and Annex Buildings**
  - All functions relocated to consolidated facility, property repurposed back to WJCCPS

Consolidation Scenario

Facility	Current SF	Future SF	Rehab?	New?	Sold?
Mounts Bay	58,539	0	No	No	Yes
Palmer Lane	15,006	0	No	No	Yes
Fire Admin	10,655	0	No	No	No
IRM Video	3,893	0	No	No	No
EOC	8,097	0	No	No	No
Human Services	18,515	0	No	No	Yes
WJCC Admin	51,168	0	No	No	No
Consolidated Facility	0	227,341	No	Yes	No
TOTAL	**160,869**	**227,341**			

Consolidation Scenario

- **JCC Government Center (Mounts Bay Road)**
  - All functions relocated to consolidated facility, property sold for redevelopment
- **Ironbound Village (Palmer Lane)**
  - All functions relocated to consolidated facility, property sold for private use
- **Fire Administration Building**
  - All functions relocated to consolidated facility, property repurposed to expand operations of Fire Station #1
- **IRM Community Video Center**
  - All functions relocated to consolidated facility, property repurposed back to WJCCPS
- **Emergency Operations Center (EOC)**
  - All functions relocated to consolidated facility, building repurposed for the Emergency Communications Center
- **Human Services Center**
  - All functions relocated to consolidated facility, property sold for private use
- **WJCC Schools Administration and Annex Buildings**
  - All functions relocated to consolidated facility, property repurposed back to WJCCPS

Consolidation Scenario

- **The cost of construction for the consolidated scenario substantially higher due to 100% of all building space being newly constructed.**
  - Site development costs lower due to a single facility rather than spread over several
  - Construction costs range from $350 to $450 per square foot (PSF)
    - Total of 227,341 new building square feet
  - Further, parking costs are substantially higher due to higher number of spaces needed and the structured parking
  - No rehab costs
- **The consolidated scenario assumes three facilities will be sold totaling $14.4M .**
  - This total reflects estimates developed by RJS & Associates
  - Sale of Mounts Bay Road totals the most due to its large size and potential use for office and residential
- **In addition to the fiscal benefits, the consolidated scenario includes non-fiscal benefits generated by the additional private sector development of the three sold sites.**
  - Approximately $5M in locally-captures retail sales
  - Estimated 800-1,000 new office jobs

Topic	Value
Rehab/Construction Cost	$99,013,871
Land Development Costs	$2,273,413
New Construction Costs	$80,216,459
Rehabilitation Costs	0
Surface Parking Costs	$2,754,000
Structured Parking Costs	$13,770,000
Existing Operational Cost (Annual)	$686,953
Expanded Operational Cost (Annual)	$733,188
Reversion Value	$14,343,600
Net Fiscal Impact of Private Development	$355,480
Cumulative 30-Year Cost	$98,723,138

Results Comparison

EXISTING FACILITIES SCENARIO		CONSOLIDATION SCENARIO	
Topic	**Value**	**Topic**	**Value**
Rehab/Construction Cost	$65,318,918	Rehab/Construction Cost	$99,013,871
Land Development Costs	$4,725,000	Land Development Costs	$2,273,413
New Construction Costs	28,691,031	New Construction Costs	$80,216,459
Rehabilitation Costs	$29,874,887	Rehabilitation Costs	0
Surface Parking Costs	$2,028,000	Surface Parking Costs	$2,754,000
Structured Parking Costs	$0	Structured Parking Costs	$13,770,000
Existing Operational Cost (Annual)	$686,953	Existing Operational Cost (Annual)	$686,953
Expanded Operational Cost (Annual)	$893,253	Expanded Operational Cost (Annual)	$733,188
Reversion Value	$0	Reversion Value	$14,343,600
Net Fiscal Impact of Private Development	$0	Net Fiscal Impact of Private Development	$355,480
Cumulative 30-Year Cost	$91,291,298	Cumulative 30-Year Cost	$98,723,138

Detailed Comparison

- **Land Development Cost Comparison**
  - Both scenarios assume the county will not need to acquire more land. The consolidated scenario assumes the new facility is built on land already owned by James City County.
  - The difference in land development costs reflects the inefficiency of developing seven different building expansions rather than a single, consolidated facility.
- **Building Construction Cost Comparison**
  - Despite the reduced building square footage needs of the consolidated scenario, building construction costs are notably higher. In effect, the rehabilitation of existing facilities has a lower capital impact than building new and selling off the retired assets
  - It is important to note that only 3 of the 7 facilities are proposed to be sold in the consolidated scenario. The remaining facilities will be repurposed for public use including reverting the two WJCCPS sites back for school use. The analysis does not calculate what the cost would be to have to accommodate those indirect needs if the existing buildings were not made available through consolidation.
- **Parking Cost Comparison**
  - The consolidation scenario has substantially higher parking costs for two reasons. First, much of the parking at the existing facilities already exists. As a result, the county does not need to rebuild it. Second, the consolidation scenario includes 50% of the spaces in structured parking. The cost of a structured space is six-fold of a surface space.
  - That said, the structure parking offers benefits not available to a surface lot, particularly weather cover and heightened security. The proposed design of the consolidated facility includes a covered walkway from the parking deck to the building.

Detailed Comparison

- **Net Capital Cost Comparison**
  - The consolidated scenario has a higher capital cost of $34.7M over the existing facilities costs. This gap is narrowed by the reversion of the three surplus properties to approximately $20.3M. As noted, the analysis does not value what the four land assets are worth to the county and the school system to be repurposed. That said, the county and school system would have to incur additional costs to accommodate the uses that will backfill into these four spaces.
- **Net Operational Cost Comparison**
  - The consolidated scenario offers the county a substantial reduction in operational costs. The analysis reveals operational costs for the existing facilities strategy are more than $160,000 higher annually. This savings primarily is due to the increased energy efficiency and the reduction in lost time and fossil fuel consumption of having these central departments located in different facilities.
  - The annual cash flow gap is even more substantial when the net fiscal impact of the three disposed properties are considered. The reuse of Mounts Bay Road (office and residential mixed use), Human Services (office), and Ironbound Village (office) are projected to create a net fiscal benefit to the county of approximately $355,000 annually.
    - RKG Associates used the county's existing fiscal impact model to measure the potential fiscal impact of the three disposed properties, utilizing market-calculated price points, values, and socioeconomic data.
  - The comparative combined annual operational benefit of the consolidation scenario total more than $500,000. That annual cost savings reflects both an opportunity to defray some of the additional capital costs to build a new consolidated facility as well as increase the county's levels of service without a net increase in expenditures.

Detailed Comparison

- **Cumulative Fiscal Impact Comparison**
  - The cumulative cost of each scenario over a 30-year study period exceeds $90M. The consolidation scenario has a higher cumulative cost of approximately $98.7M, which is $7.4M above the existing facilities scenario.
  - There are two primary differences between the scenarios.
    - First, the consolidation scenario has a much higher initial capital cost due to constructing the full 227,341 square feet and the cost of providing 50% of the parking as a parking deck. The existing facilities scenario only has 67,957 square feet of new construction, with the existing 176,496 square feet needing much lower-cost rehabilitation.
    - Second, the consolidation scenario creates a much lower operational cost for the county. The LEED certification for the consolidated building is projected to reduce utility costs. Having these core department collocated will reduce loss of staff time and reduce fossil fuel consumption. Finally, selling the Mounts Bay, Ironbound Road, and Human Services facilities will generate annual fiscal benefits for the county.
  - Not included in this analysis is the cost benefit of being able to repurpose the Fire Admin building, the EOC land, the IRM facility, and the school administration buildings. Both the county and school system will benefit from being able to repurpose those locations for other public use that otherwise would have required additional development/property acquisition
  - Further, the consolidation scenario includes non-fiscal benefits to the county. RKG's analysis indicates that the repurposing of the three disposed assets will create approximately $5M annually in locally-captured retail sales (strengthening the local market) and generate between 800 and 1,000 new office jobs in James City County.

Conclusions

- **Each scenario offers benefits and drawbacks to the county.**
  - The existing facilities strategy offers a lower initial capital cost, at approximately $65.3M. In comparison, the consolidation scenario would have a net capital cost of $84.7M once the revenues from asset disposition are considered.
  - This initial cost is tempered by the substantial differences in operational costs. The existing facilities scenario is projected to requires approximately $893,000 annually. The consolidation scenario has a $733,000 annual operational cost as well as a projected net fiscal benefit of $355,000 annually from the three disposed properties. The difference is approximately $515,000 less cost for the county annually.
- **The consolidated scenario offers non-financial benefits.**
  - Increased county employee efficiency (through collocation) and reduced fossil fuel consumption (through a more central location and collocation) offer both a financial and non-financial benefit to the county. The increased residential and office uses are projected to generate approximately $5M annually in locally-captured retail sales. Much of this activity will be taxable, and all will create greater support for existing retailers. Further, the repurposing of the existing office spaces will accommodate as much as 1,000 new office jobs in James City County, creating greater wealth and spending as well.
- **Economic, long-term benefits indicate consolidation scenario better choice.**
  - Taking a global perspective of the two options, the consolidation scenario offers more benefits to the county. At a base level, having a consolidated facility offers a more modern, efficient, and eco-friendly alternative to modernizing and expanding