

COUNTY OF MILWAUKEE
Inter-Office Communication

DATE: August 12, 2022

TO: Marcelia Nicholson, Chairwoman, Milwaukee County Board of Supervisors

FROM: Shakita LaGrant-McClain, Director, Department of Health and Human Services
Aaron Hertzberg, Director, Department of Administrative Services

SUBJECT: A report from the Director, Department of Health and Human Services (DHHS), and the Director, Department of Administrative Services (DAS), requesting the release of previously-allocated American Rescue Plan Act (ARPA) funding for the construction of a new administrative building for DHHS

File Type: Action Report

REQUEST

The Director of the Department of Health and Human Services and the Director of the Department of Administrative Services request release of \$32,335,694 currently held in allocated contingency in Capital Project WS0126 – Marcia P. Coggs Human Services Center Renovation (see File 21-1110).

DHHS and DAS also request approval of construction of a new building for administration and customer service functions as the preferred approach for DHHS to support implementation of the “No Wrong Door” vision to serve Milwaukee County residents.

Further informational detail is also provided on conceptual building and site design, estimated construction costs, proposed project funding, and recommended parking solutions and disposition of the existing Coggs facility.

POLICY

This request relates to the following Milwaukee County Board file numbers:

- Milwaukee County Board file 20-485: “From the Director, Facilities Management Division (DAS-FMD), Department of Administrative Services providing an informational report regarding an assessment of the Marcia P. Coggs Human Services Center”
- Milwaukee County Board file 21-436: “An informational report from the Director, Department of Administrative Services, Facilities Management Division (DAS-FMD), regarding a financial analysis of the Marcia P. Coggs Human Services Center”
- Milwaukee County Board file 21-1110: “A report from the Director, Department of Health and Human Services, requesting approval of an American Rescue Plan Act (ARPA) Funding Request for the Marcia P. Coggs Human Services Center Renovation”

- Milwaukee County Board file 22-617: “A report from the Director, Department of Health and Human Services, and the Director, Department of Administrative Services, providing further analysis on construction options for the Marica P. Coggs Human Services Center”

BACKGROUND

DHHS and DAS have been collaborating on finding and creating a new administrative space to align with the DHHS “No Wrong Door” vision for customer service and to facilitate the closure of the Mental Health Complex on Watertown Plank Road. In 2020 and 2021, DHHS and DAS staff explored leasing options as well as renovating the existing Marcia P. Coggs Human Services Center (Coggs).

In December 2021, DHHS requested \$32,335,694 in ARPA “Revenue Loss Recovery” funding for the project approach being pursued at the time, namely for the renovation of the existing Coggs facility. The ARPA Task Force approved a request for funding of the project at its December 2, 2021 meeting. This item was considered at the December 16, 2021 and February 3, 2022 County Board meetings. At its February meeting, the Board approved File 21-1110 which directed the transfer of \$32,335,694 in American Rescue Plan Act (ARPA) “Revenue Loss Recovery” funds into an allocated contingency account in capital project WS0126 pending further financial analysis regarding renovation of Coggs versus building a new facility.

In June 2022, DHHS and DAS staff presented an informational report (File 22-617) to the County Board with the following findings:

- New building options generally have lower capital cost, operating costs, and lowest overall NPV than renovations at Coggs.
- Financial analysis does not support adding other County tenants to the project, even if existing rents could be reduced. Simple payback analysis showed unfavorable payback periods ranging from 12 to 60 years to accommodate non-DHHS County staff.
- At the time of that board report, the estimated construction cost of a new building was \$42.2 million.

Since the June report, DHHS and DAS staff have focused on developing the new building alternative, which is the subject and recommendation of this report.

CURRENT PROJECT DEVELOPMENT STATUS

DHHS and DAS are focusing on a new building to replace Coggs, to house DHHS administrative staff and Friedens Food Pantry. DAS-Facilities Management Division (FMD) has retained a design consultant to provide design and construction-related services for the project. The design consultant has drafted a pre-design report to use as a guide for future project design development activities. The following excerpt is from the pre-design report and provides a summary of the new facility:

The existing space program envisions a new, multi-story, 60,000± square foot building for DHHS and Friedens Food Pantry to be constructed on land owned by Milwaukee County north of the existing Coggs facility, along West Cherry Street, in an area currently being used for

surface parking. The first floor will have the main building entrance off West Cherry Street, with a drop-off canopy, secure vestibule and reception desk for security staff. An area of the first floor will be for the service functions of the building: loading area, toilet rooms and storage. The remaining other floors (two or three are anticipated) will be mainly open office areas with other coworking spaces mixed in. The floors are laid out with open office area around the out perimeter and private offices and support spaces in the middle of the floor plate. A partial basement is planned to accommodate underground utility connections (i.e. steam) The mechanical equipment will be placed on the roof to make access and maintenance easier.

Surface parking is planned and will likely be divided into two separate lots. One lot will be open for public/visitor use and deliveries. The second lot will be secured for staff who will need access to the building on a 24/7 basis.

The pre-design report includes conceptual site plans for various options for siting the new building. As has been expressed previously, DHHS highly values the location of the existing Coggs facility to best serve the residents of Milwaukee County and has decided that the new facility needs to be in the same vicinity. The entire pre-design report is attached.

The basis of the current design efforts assumes that the existing Coggs facility will be demolished and surface parking constructed in its place. A major project consideration is the amount of parking required and how that parking will be provided. The construction of the Mental Health Emergency Center in the former County parking lot area to the north of Cherry Street eliminated approximately 200 parking spaces from the area. Construction of a new facility on existing County surface parking would further reduce available parking.

According to a parking analysis completed for the project, 250 total parking spaces should be provided to accommodate visitors and County staff. If the existing Coggs facility were to remain after the construction of a new facility, it is estimated that there would be a shortage of approximately 125 to 140 parking spaces. Construction of a parking structure could alleviate the parking shortage, however, that option is not considered attractive to County DAS-FMD staff due to both initial construction costs (estimated at \$30,000+ per stall) and long-term maintenance requirements. Sufficient surface parking would be made available if the existing Coggs facility were to be demolished and surface parking constructed in its place.

Timeline

The construction timeline is currently estimated at approximately 18 to 20 months, as shown in the attached pre-design report. Groundbreaking for a new building is anticipated in the second quarter of 2023 and completion of construction by the end of 2024, which aligns with the requirements for use of ARPA funding for the project. Delays in decision-making and approval for this project may put the ability to meet required ARPA timelines and ARPA funds at risk.

For this project, DAS-FMD is planning to utilize a Construction Management at Risk (CMaR) approach, which would provide a collaborative environment between the County, the design consultant and the construction contractor for design and construction of the project. That

collaboration will help control the budget and decrease the project timeline from a typical design-bid-build approach, providing more confidence in meeting the ARPA funding schedule requirements.

Community Development/Benefits Agreement

DHHS anticipates drafting a Community Development/Benefits Agreement in partnership with the Office of Equity. This agreement will cover expectations as to how the administration building will be built. For example, community priorities, expectations on targeted business participation, the Request for Proposals (RFP) processes and deliverables for construction vendors will be taken into consideration as part of the overall project.

Project Estimate and Funding

The existing capital project WS0126, with a total budget amount of \$37,659,509, consists of \$5,323,815 in Milwaukee County capital and \$32,335,694 in ARPA allocated contingency. Previous design efforts have cost \$120,155, so the remaining total budget is \$37,539,320. Compared against the June 2022 cost estimate of \$42.2 million, there is currently a funding gap of about \$4.7 million.

DHHS submitted a request to add \$4,671,262 to capital project WS0126 as part of the 2023 capital request process and anticipates that these funds will be included in the 2023 County Executive's Recommended Capital Budget.

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| Total Construction Budget | \$42,210,582 |
| <u>Funding Sources</u> | |
| ARPA Commitment | \$32,335,694 |
| Existing Capital Funding in WS0126 | \$5,203,626 |
| 2023 Recommended Capital Budget | \$4,671,262 |

Future of Existing Coggs Facility

While the existing Coggs facility has served Milwaukee County for decades, the financial analysis completed by DAS and presented in previous Board reports shows that further County capital investment in Coggs is not warranted. Additionally, we have been notified that the State of Wisconsin Department of Human Services, currently the main tenant in the building, intends to exit the facility and terminate their lease by the end of 2022. If the County were to consider renovating Coggs for use by DHHS only, approximately 70,000 square feet (or almost 60%) of administrative space would remain unoccupied. Relocating non-DHHS County departments currently located in other leased space or that had previously indicated an interest in relocating still results in approximately 24,000 square feet (or 20%) of administrative space that would

remain unoccupied. In addition, there is currently no business case, minimal appetite or adjacency need to relocate other non-DHHS County staff from their current location to a new facility. Our conclusion is that the existing Coggs facility has little utility for County purposes and becomes a financial liability for the County if we retain it.

At the same time, we have received suggestions that the facility may have value for the community and could potentially be repurposed. In August, the County released an RFP for proposals for a developer to acquire and repurpose the property. This RFP includes the DHHS parking requirement as a County condition of redevelopment. Positive results from this RFP may reduce the County's on-going risk of retaining the building, reduce the potential risks associated with demolition, and address the parking needs of the new DHHS facility at the same time. Results from the RFP process are expected in November. At that time, the scope and plan for the new DHHS building project can be recalibrated as may be needed to facilitate the future redevelopment of Coggs.

As part of our due diligence for the project, DAS-Economic Development staff recently requested and received an appraisal of the existing Coggs facility. That appraisal determined that the value of Coggs is approximately \$4,360,000. The appraisal considers the vacancy of the building due to the departure of the State of Wisconsin as a tenant (whose departure is anticipated by end of 2022) and the departure of DHHS staff to the new building. It should be noted that appraisals don't consider the environmental condition of a property. True value can only be determined through exposure to the marketplace.

DHHS Policy Decision

The "No Wrong Door" approach is guiding the facility-related decisions. This approach promotes the co-location of DHHS employees to a visitor-friendly facility to best serve the needs of customers. The planned transfer of in-patient services to the new Universal Health Services hospital currently under construction in West Allis, construction and operation of the new Mental Health Emergency Center (MHEC) one block north of Coggs, and subsequent closure of the Mental Health Complex require DHHS staff to be relocated from the Mental Health Complex.

For these reasons, the construction of a new administrative building along with construction of additional surface parking is the best option for DHHS.

RECOMMENDATION

The Department of Health and Human Services and Department of Administrative Services recommend that the Milwaukee County Board of Supervisors approve new construction as the preferred method for replacing the existing Marcia P. Coggs Human Services Center at its current location as well as the release of the \$32,335,694 of ARPA funding currently held in allocated contingency in capital project WS0126.

FISCAL EFFECT

Approval of this request will result in the release of \$32,335,694 in ARPA funding currently held in allocated contingency to capital project WS0126. A fiscal note form is attached.

ALIGNMENT TO STRATEGIC PLAN

The relocation of DHHS staff and functions support the DHHS “No Wrong Door” approach, which aligns to the County’s strategic plan in the following ways:

- 2A: Determining what, where and how we deliver services to advance health equity
- 3A: Investing “upstream” to address root causes of health disparities
- 3B: Enhancing the County’s fiscal health and sustainability
- 3C: Dismantling barriers to diverse and inclusive communities

Through the construction of a new facility, the goal is to create a welcoming and accessible space for our employees and participants so that they feel valued, respected, and dignified. The decision to collocate employees across all DHHS service areas is driven by a desire to breakdown silos so that we create easier access for our participants and dismantle the barriers that prevent or inhibit access.

TERMS

Not applicable.

VIRTUAL MEETING INVITES

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SUBMITTED BY

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Aaron Hertzberg

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Department of Administrative Services

cc: County Executive David Crowley
 Sup. Liz Sumner, Chair, Finance Committee
 Sup. Shawn Rolland, Chair, Health Equity, Human Needs, and Strategic Planning
 Mary Jo Meyers, Chief of Staff, County Executive’s Office
 Kelly Bablitch, Chief of Staff, Milwaukee County Board of Supervisors
 Janelle M. Jensen, Legislative Services Division Manager, Office of the County Clerk
 Steve Cady, Research Director, Comptroller’s Office
 Dan Laurila, Operating Budget Manager

Lottie Maxwell-Mitchell, Research & Policy Analyst, Comptroller's Office

ATTACHMENTS:

1. Pre-design report for new building
2. Resolution and Fiscal Note