

COUNTY OF MILWAUKEE
Inter-Office Communication

DATE: April 22, 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, and the Director, Department of Administrative Services, providing further analysis on construction options for the Marcia P. Coggs Human Services Center

File Type: Informational Report

REQUEST

In February, the County Board approved 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 – Marcia P. Coggs Human Services Center Renovation as part of File 21-1110. The resolution directed the Department of Health and Human Services (DHHS) to conduct an in-depth analysis on various construction scenarios for the Coggs Center including renovation or build new and to report back no later than May 2022.

This report provides a financial analysis of the options considered as well as an assessment of the current facility for potentially hazardous conditions and planned next steps.

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”

BACKGROUND

Milwaukee County was awarded \$183 million in federal ARPA aid. Approximately \$115,728,599 million has been allotted for Revenue Loss Recovery projects. In December 2021, DHHS requested \$32,335,694 in ARPA “Revenue Loss Recovery” funding to facilitate implementation

of its future vision of a “No Wrong Door” customer service approach. This funding was proposed for the renovation of the Marcia P. Coggs Human Services Center (Coggs) to accommodate DHHS administrative and customer service functions, including improvements to address accessibility, sustainability, and significant deferred maintenance needs. The ARPA Task Force approved this funding at its December 2, 2021 meeting. This item was heard 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 following:

- 1) Transfer \$32,335,694 in American Rescue Plan Act (ARPA) “Revenue Loss Recovery” funds into an allocated contingency account in Capital Project WS0126 – Marcia P. Coggs Human Services Center Renovation within the Revenue Loss Recovery Expenditure Category for an emergency American Rescue Plan Act (ARPA) allocation of \$32,335,694; and
- 2) Request the Department of Health and Human Services, working in conjunction with other staff as necessary, to report to the County Board no later than the May 2022 meeting cycle as to how to best use the funds held in the allocated contingency account after a more in-depth analysis on various scenarios can be performed including, but not limited to:
 - A. An assessment of the current facility for potentially hazardous conditions such as lead pipes, lead paint, asbestos or other environmental concerns
 - B. Whether to renovate the current building or build a new facility
 - C. Financing alternatives/options for any recommended course of action including the ability to use ARPA funds within the time limits set by federal law

This report addresses these requests.

DHHS COGGS RENOVATION PROJECT OVERVIEW

DHHS, the Department of Administrative Services-Facilities Management Division (DAS-FMD) and the Department of Administrative Services-Economic Development Division (DAS-ED) have been working together for over two years to strategize and plan a co-location of DHHS administrative staff from the DHHS Behavioral Health Division (BHD) Mental Health Complex, Marcia P. Coggs Human Services Center (Coggs) and the Vel Phillips Youth and Family Justice Center in support of the DHHS “No Wrong Door” approach to customer service.

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 over a year, DHHS worked with DAS-FMD and DAS-ED staff to identify a leased location to accommodate approximately 430 DHHS staff, to provide for both administrative and customer

service functions. After a search for leased locations and consideration of financial impacts of lease costs on the DHHS operating budget, DHHS felt it was in the best interest to stay at Coggs for the time being.

The total estimated budget for capital project WS0126 which is based on renovation of the Coggs Center is \$37 million with \$5.3 million currently allocated. As previously stated, the balance of \$32 million is ARPA funding currently held in allocated contingency.

Community Input

As DHHS works through the planning phase to transform the site of the Marcia P. Coggs Human Services Center, community input was sought on the types of services, in addition to the services currently offered, residents need at this location. The community input received from the Coggs Center Community Survey will help to develop a warm, welcoming, person-centered facility yards away from the new MHEC, with the goal of creating a human services campus to serve residents across Milwaukee County.

RESPONSE TO MILWAUKEE COUNTY BOARD FILE 21-1110

A. Assessment of the current facility for potentially hazardous conditions such as lead pipes, lead paint, asbestos or other environmental concerns

To address questions of potentially hazardous conditions in Coggs, DAS-FMD staff retained a consultant to conduct investigations of asbestos-containing material, lead bearing paint, indoor air quality and lead water lines. The overall results were fairly clean.

For to the pre-renovation asbestos inspection report, the consultant tested 245 samples of building materials in early February 2022 for the presence of asbestos-containing material (ACM). Asbestos-containing materials were detected in two areas:

- Floor tile mastic in a first-floor room totaling 500 square feet registered 10% Chrysotile asbestos. The tiles themselves tested negative for asbestos.
- 20 linear feet of pipe wrap above the ceiling tiles on the 2nd floor were determined to contain 10% Amosite asbestos.
- The full asbestos inspection report is included in the attachments.

For the analysis of lead bearing paint, the consultant used a handheld X-Ray Fluorescence (XRF) machine to take 92 samples throughout the building. Lead bearing paint was found in three areas of the basement (boiler room, mechanical room, and Room B29C). No lead bearing paint was detected in the areas for which the majority of the renovations would be completed.

The full lead bearing paint inspection report is included in the attachments.

The results of the indoor air quality indicated that carbon monoxide (CO), carbon dioxide (CO₂) and mold testing were all either below the industry standard or within the normal range.

The visual inspection of the incoming water lines identifies lead piping resulted in no observance

of lead pipes in any of the accessible areas where water lines entered the building.

The full indoor air quality and water service piping inspection report is included in the attachments.

B. Renovation of Coggs Versus Building New

The renovation of Coggs has been the focus of the DHHS facility strategy since DHHS made the decision in 2021 to locate administrative and customer service functions at Coggs rather than pursue a leased location. The State of Wisconsin Department of Health Services (DHS) has provided income maintenance services at Coggs for almost 20 years and currently occupies the first and second floors while DHHS occupies the third floor. DHS has been occupying Coggs essentially under the terms of a month-to-month lease, which provides significant revenue that more than covers the current operating costs of Coggs. Additional details of the DHS lease are provided in File 21-436. Unfortunately, County staff received word from the State in early January 2022 that the State intends to terminate its lease and move out of Coggs by November 2022 to a new location on the north side of Milwaukee. This loss of revenue has a material impact on the financial evaluation of alternatives.

Friedens Food Pantry is also currently a tenant in Coggs. It is assumed that Friedens Food Pantry will continue to be a tenant in either a renovation of Coggs or in a new DHHS facility.

DHHS and DAS-FMD staff have hosted a number of tours of Coggs with County Board supervisors to provide them an opportunity to see the facility and learn about the challenges presented by the existing facility. During these tours (as well as during discussions at the Finance Committee meetings), the question has been raised about the potential of building a new facility to replace Coggs.

Additionally, with the State's departure, there is an opportunity to relocate other County staff to Coggs, which would allow the County to relocate out of other leased locations, reduce overall operating costs, and/or provide complementary services. DAS-FMD worked with its Coggs design consultant to develop a space needs program (including incorporating long-term teleworking) to relocate the following County staff to Coggs:

- DAS staff currently in leased space at 633 W. Wisconsin Avenue
- Comptroller-Audit Services Division staff currently in leased space at 633 W. Wisconsin Avenue
- Department of Human Resources staff currently located in the Historic Courthouse (based on recent conversations with DHR leadership on relocating to a County facility that is more convenient to access)
- Office of Equity currently located in leased space on North Dr. Martin Luther King Jr. Drive (based on a request to be relocated to a larger, more convenient location)
- UW-Extension staff currently located in leased space in West Allis (based on a request to be relocated to a County facility)

Relocation of other non-DHHS County staff is not expected until after major renovations or

construction are completed.

In addition, DAS-Economic Development staff have been exploring options for other community partners to locate in the renovated Coggs facility, in addition to Friedens Food Pantry. If Coggs were renovated just to accommodate DHHS program needs of about 50,000 square feet, there would be about 70,000 square feet unoccupied and available for community partners. If Coggs were renovated to accommodate DHHS plus other County staff, there would be about 24,000 square feet unoccupied and available for community partners. Community partners locating at Coggs would provide financial benefits in terms of lease revenue, as well as the potential to improve customer service capabilities. The current conceptual plans for a new facility do not include additional space for community partners other than Friedens Food Pantry. At this time, no commitments have been made by the County or by other community partners regarding locating at Coggs.

Even though the State of Wisconsin is vacating Coggs later in 2022, there has been some interest expressed by the State in maintaining a small presence of one or two State staff.

Renovation and Build New Options

DAS-FMD's design consultant prepared space utilization plans and conceptual cost estimates for four core options:

1. Renovate Coggs for just DHHS staff
2. Renovate Coggs for DHHS plus additional County staff
3. Build a new building just for DHHS staff
4. Build a new building for DHHS plus additional County staff

Layered into the four core options are considerations to provide for parking for visitors and staff. Parking capacity remains an unresolved issue as the facility has seen the loss of approximately 200 surface parking stalls with the construction of the new Mental Health Emergency Center (MHEC). Full capacity may require the construction of a parking structure on site. For building options that involve DHHS as the only tenant, the current assumption is that a 200-stall parking structure would be required to replace the approximately 200 stalls lost to the construction of the MHEC. For options that include DHHS plus other County departments, the current assumption is that a 300-stall parking structure would be required, to provide for an additional 100 stalls for other County staff and visitors. Options to provide for 100 stalls of surface parking instead of investing in a parking structure have also been included. DHHS and DAS-FMD will conduct a more thorough analysis of parking needs in the near future.

Initial construction cost estimates were prepared for all the options based on the conceptual designs provided in the attachments. The construction cost estimates include a 10% contingency. Construction for all options is assumed to start in the first quarter of 2023.

While initial construction costs are critical to the decision-making process, they do not tell the complete story. As was done in File 21-436, a 20-year net present value (NPV) comparison of the options is also provided. 'Net Operating Cost' is the net of operating expenses less income and savings. Operating expenses include typical operating and maintenance costs such as labor, utilities, repairs, and maintenance. Income and savings include rental revenue, savings

from closing other leased facilities. However, as opposed to the calculations in File 21-436, there are no sale proceeds assumed as the value of Coggs to a potential developer is diminished considerably with the State of Wisconsin vacating.

Capital requirements are the sum of cash capital projects plus debt service on bonded capital investments. The total NPV is the present value sum of the net operating cost plus capital requirements over the next 20 years.

DHHS Coggs Center Capital Project Update

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Option	Description	Current Working Estimate Construction Costs (\$1,000s)			20-year Net Present Value (NPV) (\$1,000s)					Notes
		Hard Costs	Soft Costs*	Total	County Operating	County Bonded Capital	County Cash Capital	Total Tax Levy	TOTAL NPV	
1	Renovate Coggs, DHHS only	\$35,517	\$12,722	\$48,239	(\$39,347)	(\$46,345)	(\$20,265)	(\$59,612)	(\$105,957)	70,000 sf office space unoccupied, 200-stall parking structure built in existing north parking lot
2	Renovate Coggs, DHHS plus	\$47,866	\$15,066	\$62,932	(\$25,908)	(\$56,174)	(\$23,281)	(\$49,189)	(\$105,363)	24,000 sf office space unoccupied, 300-stall parking structure built in existing north parking lot
3	new building, DHHS only	\$37,564	\$9,409	\$46,973	(\$21,057)	(\$28,146)	(\$14,331)	(\$35,388)	(\$63,534)	59,938 sf new office building, Coggs demo'd, 200-stall parking structure built in its place
4	new building, DHHS plus	\$59,851	\$13,573	\$73,424	(\$14,101)	(\$45,913)	(\$19,806)	(\$33,907)	(\$79,820)	114,707 sf new office building, Coggs demo'd, 300-stall parking structure built in its place
5	new building, DHHS only, Coggs demo'd and surface parking provided	\$33,940	\$8,270	\$42,210	(\$21,057)	(\$23,084)	(\$15,139)	(\$36,196)	(\$59,280)	59,938 sf new office building, Coggs demo'd, 100-stall surface parking constructed in its place
6	new building, DHHS plus, Coggs demo'd and surface parking provided	\$51,001	\$11,790	\$62,791	(\$14,101)	(\$38,054)	(\$18,222)	(\$32,323)	(\$70,377)	114,707 sf new office building, Coggs demo'd, 100-stall surface parking constructed in its place
7	new building, DHHS only, mothball Coggs	\$28,534	\$8,119	\$36,653	(\$19,079)	(\$22,431)	(\$10,808)	(\$29,887)	(\$52,318)	59,938 sf new office building, no new parking provided
8	new building, DHHS plus, mothball Coggs	\$47,621	\$11,639	\$59,260	(\$12,122)	(\$37,401)	(\$15,719)	(\$27,841)	(\$65,242)	114,707 sf new office building, no new parking provided

*Soft costs include project management, design services, furniture/fixtures/equipment, relocation, temporary utilities

Findings from this financial comparison include:

1. New building options generally have lower capital cost, operating costs, and lowest overall NPV than renovations at Coggs.
2. A parking structure would drive a significant increase in capital cost (approximately \$6.5M to \$10M) and has a significant initial and long-term financial influence on options 1, 2, 3 and 4.
3. Overall County operating costs can be minimized by adding other tenants to the facility, whether Coggs or new, through reduction of rent payments elsewhere. A financial analysis to determine the attractiveness of the incremental investment for these options has not been completed. For both Options 1 and 2, there is available space for other potential tenants at Coggs (approximately 70,000 square feet in Option 1, and approximately 24,000 square feet in Option 2). DHHS and DAS-ED staff have identified a number of community partners as potential tenants. Maintaining Coggs for DHHS only would result in a building half-occupied and inefficient operating costs.
4. Options 7 and 8 appear to have the lowest impact on tax levy, but they provide no funds or solution to the resulting parking problem.
5. Repair and maintenance costs will be considerably reduced in a new facility versus maintaining the existing Coggs. Potential savings to be realized in addressing Coggs deferred maintenance is difficult to estimate at the current level of design.

C. Financing alternatives/options for any recommended course of action including the ability to use ARPA funds within the time limits set by federal law

ARPA funding is a critical element of this project. At this time there are no identified financing alternatives for any of the options. Options to fill this gap may include County general obligation bonds for eligible portions of the project and other grant programs. A comprehensive analysis of financing options was not possible in the time allotted for this report.

According to the estimates prepared by the design consultants, assuming construction is started in 2023, construction of any of the options should be complete in accordance with ARPA requirements (encumbrance of all ARPA funding by December 31, 2024 and all ARPA funds spent by December 31, 2026). 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. This would be true for either Coggs renovation or new building construction.

DEPARTMENT RECOMMENDATIONS

DHHS would like to focus project development efforts on option #5 – New Building – DHHS Only (100-stall surface lot and demolition of the existing Coggs Center) at a total estimated construction cost of \$42.2 million. The justification for this option is the following:

- Capital costs for the other options are cost prohibitive and greatly exceed current available funding of \$37 million in capital project WS0126
- Repair and maintenance costs will be considerably reduced in a new facility versus maintaining the existing Coggs building
- The lowest capital cost option - #7 New Building – DHHS Only (mothball existing facility) estimated at \$36.7 million does not include any additional parking
- The decision to co-locate other County departments in the same facility is a decision that needs to be made at a higher level than solely by DHHS

DHHS and DAS-FMD would appreciate input from the County Board on the recommended course of action, primarily on the decision to build new rather than renovate the existing facility.

Next Steps:

DHHS and DAS-FMD staff will be working on the following in the near future:

- Verify financial implications of continuing to lease space for other County departments and staff
- Confirm willingness/ability of other County departments to relocate to a renovated Coggs facility or new facility (if that option appears to make sense financially)
- Complete a parking needs analysis to better quantify the additional parking required
- Develop operating cost pro-formas
- Document sustainability goals
- Discuss and develop community benefit agreements

The Director of the Department of Health and Human Services and the Director of the Department of Administrative Services anticipate submitting an action report to the County Board no later than September 2022 with details of the additional design details as well as a request to release construction funds from ARPA contingency and additional funding if necessary.

FISCAL EFFECT

Not applicable.

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 renovation or 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 divisions 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. Alignment to the County Strategic Plan can be attained with either renovation of the Coggs facility or new building construction.

TERMS

Not applicable.

VIRTUAL MEETING INVITES

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SUBMITTED BY:

Shakita LaGrant-McClain
Shakita LaGrant-McClain, Director
Department of Health and Human Services

Aaron Hertzberg

Aaron Hertzberg, Director
Department of Administrative Services

ATTACHMENTS:

- 1 Marcia P. Coggs Human Services Center Pre-Renovation Asbestos Inspection and Sampling Report
- 2 Marcia P. Coggs Human Services Center – Lead Paint Inspection Report
- 3 Marcia P. Coggs Human Services Center – Technical Memorandum regarding Indoor Air Quality Sampling and Lateral Water Line Inspection
- 4 Conceptual sketches of Coggs renovation and site plan for new facility

cc: County Executive David Crowley
Chair, Finance Committee
Sup. Felesia Martin, 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
Pam Matthews, Fiscal & Management Analyst, DAS
Lottie Maxwell-Mitchell, Research & Policy Analyst, Comptroller's Office

APPENDIX

The financial analysis includes the following assumptions:

1. Capital expenses divided between bonded and cash using standard DAS-FMD AE&ES percentages (79.85% bonded and 20.15% cash)
2. Estimates for furniture/fixtures/equipment, technology and relocation costs included
3. 3.5% discount rate on NPV calcs
4. Operating expenses for existing Coggs projected out at 3% annual increase
5. Approximately \$8.8 million in “catch-up” deferred maintenance projects included in Coggs renovation options
6. Additional planned/deferred maintenance requirements for existing Coggs facility which are not anticipated to be addressed as part of this project are included in years projected
7. Planned maintenance for new facility assumed at \$20,000 initially, 2% annual increase
8. Operating expenses for new facility (with or without parking structure) assumed at approximately \$7.46 per square foot based on recent O&M costs at Coggs, with 3% annual increases
9. 10% contingency included in capital cash in all options
10. Parking structure hard construction costs are estimated at \$32,000 per stall, surface parking hard construction costs are estimated at \$7,500 per stall
11. Rent payments at lease sites for other County staff assumed to be terminated at end of lease term (applies only to those options that include other County staff co-locating either at the renovated Coggs or the new facility)
 - a. 633 W. Wisconsin: July 2025
 - b. Office of Equity: June 2024
 - c. UW Extension: April 2024