



Commission for a New Georgia

Capital Construction Task Force

March 31, 2004



Table of Contents

Task Force Report

<i>Task Force Members</i>	3
<i>Purpose and Understanding</i>	4
<i>Findings</i>	7
<i>Guiding Principles</i>	9
<i>Vision</i>	11
<i>Actionable Recommendations with Discussion</i>	14
<i>Appendix A – Work Plan</i>	21
<i>Appendix B – Additional Documentation</i>	23



Task Force Members

<p>Carson, Jim – Task Force Chair Carter & Associates</p>	<p>Brown, Robert - Commission Liaison Robert L. Brown & Associates</p>
<p>Axam, Clara Enterprise Foundation</p>	<p>Chang, Hak-keun U.S. Department of HUD</p>
<p>Grammer, Judy Grammer Construction</p>	<p>Harris, Oscar Turner & Associates</p>
<p>Holmes, Sam C.B. Richard Ellis</p>	<p>Lanier Jimmy Lanier, Brookins</p>
<p>Parker, Ennis Facility Group</p>	<p>Philips, Jim Hatfield, Phillips</p>
<p>Ragsdale, Tommy Thomas Ragsdale & Associates</p>	<p>Rankin, Roy Rankin & Associates</p>
<p>Rochester, Daryl Rochester & Associates</p>	<p>Thomas, Susan Susan S. Thomas Architect</p>
<p>Thompson, Scott Piedmont Construction</p>	<p>Trujillo, Al Recall Corporation</p>



Capital Construction Purpose and Understanding



Capital Construction Charter and/or Mission Statement

Charter

The Capital Construction task force has been charged to look into the strategy and processes by which the state finances, designs, builds, and manages its large vertical construction projects for all agencies, commissions, authorities, the Board of Regents and the Department of Transportation.



Capital Construction Scope Statement

The State's ongoing challenge is to identify the most affordable financing structures, the best possible project management practices, and the most effective organizational structure to coordinate the state's capital construction efforts.

Our initial scope is to identify the short and long term opportunities to meet this challenge, and prioritize the findings of our research.

Based on the findings, we hope to improve the process the State uses to manage its large capital projects, thus saving the State time and the taxpayers money.



Capital Construction Findings



Capital Construction Summary of Findings

- State spends \$600MM to \$1B annually on capital funding of more than 57 projects spanning 13 agencies.
- Development of the State Construction Manual and legislative action over the past few years have provided a steady trend of process improvements.
- State property inventory of over 11,000 facilities valued at \$10.5 B is losing value due to poor maintenance, emerging safety issues, and under utilization.
- Excess General Obligation Bond funds remain obligated to canceled or completed projects.
- Georgia has the 2nd largest consolidated funding volume of public construction in the U.S. behind the federal government.
- Multiple policies and processes utilized by agencies.
- Inconsistent documentation and performance feedback throughout the entire construction process.
- Knowledge level of current staff varies widely and may be incompatible with some projects.



Capital Construction Guiding Principles



Capital Construction Guiding Principles

The entire cost of ownership for the life of a facility should be determined and planned for as part of the funding approval cycle.

Construction and ownership of non-special purpose facilities should be avoided in lieu of leasing whenever possible.

Every attempt should be made to improve and utilize existing space inventory before new construction is approved.

Investment in non-metropolitan areas for building and/or leasing facilities should be considered in order to reduce operating costs.



Capital Construction Vision



Capital Construction Vision

- Create a consolidated capital property steering organization responsible for effective fiscal management, collaboration and efficient construction processes across the existing organizational boundaries.
- Provide management oversight of the complete funding lifecycle process that 1) captures total cost of ownership for the effective life of all necessary special use state property, and 2) provides a structure that minimizes the State's capital ownership to essential property.
- Provide a consistent process applied across all affected agencies that captures, evaluates and provides the appropriate information to the affected groups in a transparent and actionable manner.



Capital Construction Best Practices

Internal to the State of Georgia

- Establish and oversee a Maintenance Fund to ensure that State property retains its value through its lifecycle.
- Leverage public/private funding partnerships that meet the long term goals of the state, reduces the cost of construction and reduces the concept to completion timeframe for special use buildings.

Other State Governments

- Utilize a central property authority to ensure proper use of authorized funds and adherence to established policies and procedures.
- Establish a consistent and funded process for pre-design and design review that ensures construction projects meet the intended requirements, and the long term goals of the agency and state.

Private Sector

- Divest in the ownership of common office space to gain the flexibility of obtaining the 'right' level of space as conditions warrant.
- Leverage telecommuting where possible to reduce the amount of common office space required.

Other

- Leverage components of the environmental LEED Program during construction to reduce long term operating and maintenance costs.
- Develop a comprehensive system to track state property inventory, location of facility document, and maintenance and repair status.



Capital Construction Recommendations with Discussion



Capital Construction Recommendation #1

Establish a Chief Property Officer

Findings

- Inconsistent policies and procedures
- Lack of common vision
- Redundant responsibilities
- Varying expertise levels

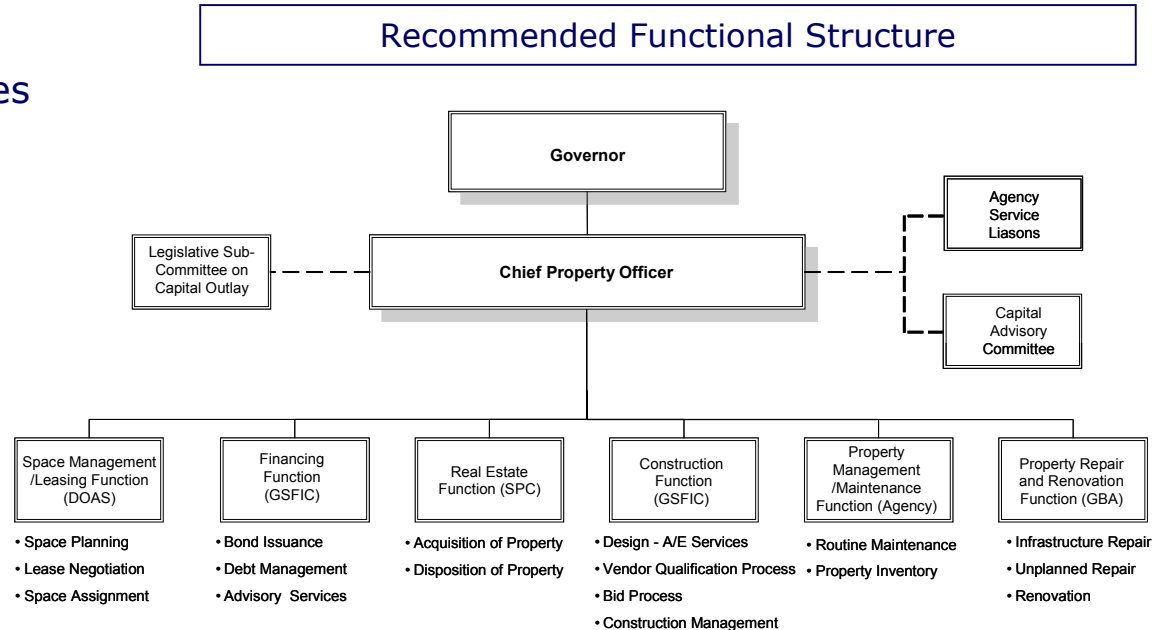
Vision

- Create a consolidated organization to achieve effective fiscal management, collaboration, and efficient construction processes

Discussion/Rationale

- Appoint Chief Property Officer to implement recommendations
- Develop mission, vision, and guiding principles
- Streamline the responsibilities to eliminate redundancy

Recommended Functional Structure



Capital Construction Recommendation #2

Evaluate Liquid and Tangible Assets for Reallocation and Divestment

Findings

- Over 11,000 state facilities valued at \$10.5 B; many are losing value and are underutilized due to poor maintenance and emerging safety issues
- 2nd largest consolidated funding volume of public construction in the U.S.
- Excess General Obligation Bond funds remain obligated to canceled or completed projects

Vision

- Provide management oversight of the facility lifecycle, related to financial and operational aspects, that
 - 1) captures total cost of ownership for the effective life of special use state property
 - 2) provides a structure that minimizes the State's capital ownership to essential property

Discussion/Rationale

- Divest state property that does not meet the established Guiding Principles for Capital Property and return it to the tax digest
- Explore public/private working partnerships with a potential savings of 3% to 5% per project
- Reallocate excess G.O. Bond funds to establish a pre-design fund and a capital renewal revolving fund



Capital Construction Recommendation #3

Develop end to end process management policies, procedures, and tools for the selection, acquisition and development of capital construction services

Findings

- Multiple policies and processes utilized by agencies
- Inconsistent documentation and performance feedback
- Varying levels of staff knowledge and capabilities

Vision

- Provide a consistent process that captures and evaluates necessary information to the affected groups

Discussion/Rationale

- Determine the total cost of ownership for the expected lifecycle of a building
- Complete and utilize process documents and procedures created by the BOR and GSFIC
- Complete, adopt, and implement the State Construction Manual for statewide use
- Expedite the adoption of new contracts already under consideration
- Implement a review process to reduce project scope, budget and schedule uncertainties
- Develop a lessons learned database to drive future project efficiencies

Current Process						
Function	GSFIC	GBA	SPC	DOAS	Regents	Agencies
Construction Management	√	√			√	√
Real Estate Acquisitions		√	√		√	√
Space Design				√	√	√
Bidding	√	√		√	√	
Financing	√	√			√	
Property Management		√			√	√
Leasing				√	√	√









Capital Construction Follow Up Items

- Leverage process documents created by the BOR and GSFIC, and complete and adopt the State Construction Manual.
- Implement a pre-design and design review process to accurately define project scope and budget.
- Include stakeholders, determined by delivery method, in pre-design and design review process to reduce budget and schedule overruns.
- Consider site adaptation of existing plans for repetitive purposes, where feasible. This will reduce scope changes that lead to change orders.
- Conduct a pre and post occupancy evaluation of the A/E, CM and the team representing the state to develop a lessons learned database.
- Create a pre-qualification process for A/E, CM, Real Estate agents and General Contractors to ensure these contractors meet the expectations laid out in the Guiding Principles. This could be done by having a general qualification process for state work and a more thorough evaluation for certain special use projects.
- Leverage AIA documents in use in the private sector during the contract revision process of the documents the state uses with design firms and contractors.
- Leverage private sector real estate professionals in large or complex property transactions to gain private sector market knowledge and values.
- Determine which construction process functions can be outsourced to better utilize personnel and resources.



Capital Construction Key Challenges to Implementation

-  Agency control of construction process and specific agency knowledge
-  History of decentralized management
-  Difficulty in changing the funding process
-  Difficulty in changing statutory requirements
-  Fear of privatization
-  Continuous constraints on operating budgets



Capital Construction Recommendation Benefit/Cost Summary

Summary

(Short Term: 1 to 6 months, Mid Term: 6 Months to 1 year, Long Term: 1 to 1 1/2 years)

Actionable Recommendations	Timeframe	Duration	Investment (MM)	Potential Capital Savings (MM)	
Chief Property Officer	Short Term	Ongoing	\$0.2 - \$0.4	(Funded from GSFIC budget)	
State Construction Manual	Mid Term	One time	\$0.3 - \$0.6	(Funded from GSFIC budget)	
Pre-Design Revolving Fund	Mid Term	Ongoing	\$2 - \$3	(Funded from Bonds Recovery)	
Repair/Renovation Revolving Fund	Mid Term	Ongoing	\$50 - \$60	(Funded from Divestment Recovery)	
Public/Private Working Partnerships	Short Term	Ongoing	\$52.5 - \$64	3% - 5% (per project)	
Lessons Learned Evaluations	Mid Term	Ongoing		3% - 10% (per project)	
Lifecycle Planning	Short Term	Ongoing		\$ 4 - \$20	
Excess G.O. Bonds Recovery	Mid Term	One time		\$ 80 - \$95	
Design Collaborative Review Process	Mid Term	Ongoing		\$ 15 - \$75	
Property Divestment Recovery	Long Term	One time		\$150 - \$450	
Standardized Process and Procedures	Long Term	Ongoing		\$ 0.5 - \$4	
TOTAL				\$52.5 - \$64	\$249.5 - \$644

- An estimated average savings of 3% to 14 % per project

Project Duration: 0 to 2 years

Project Cost: \$52.5 - \$64 MM

Benefits start date: 3 to 6 months following the appointment of a Chief Property Officer



Capital Construction Appendix A – Work Plan



Capital Construction Work Plan

Key Activities and Milestones	(Month)	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18		
Appoint the Chief Property Officer and Assign Staff		█																			
Develop/Confirm Mission, Vision, and Guiding Principles		█																			
Evaluate Current Building Inventory		█																			
Review State Funds Allocated for Capital Construction		█																			
Implement ADM Processes		█						█													
Complete the Vendor Contract Revisions and Implement		█						█	█												
Create a Contractor Pre-qualification Process		█						█	█												
Establish Clear Agency Responsibilities to Eliminate Overlap		█						█	█	█											
Adopt/Levage BOR and GSFIC Process Documents		█						█	█	█	█										
Develop Repeatable Pre-Design and Review Processes		█						█	█	█	█										
Adopt and Utilize Total Cost of Ownership Budgeting Policy		█						█	█	█	█										
Conduct Post Occupancy Construction Team Evaluations		█						█	█	█	█	█									
Complete and Adopt the State Construction Manual		█						█	█	█	█	█									
Outsource Real Estate Services		█						█	█	█	█	█									
Establish a Pre-design Fund		█						█	█	█	█	█	█								
Establish Repeatable Private/Public Funding Process		█						█	█	█	█	█	█	█							
Create a Revolving Maintenance Fund		█						█	█	█	█	█	█	█	█	█	█	█	█	█	█



Capital Construction Appendix B – Additional Documentation



Capital Construction Additional Documentation

Interviews Conducted

- Conducted interviews with all sixteen task force members
- Conducted 24 interviews with representatives from state legislature, agencies, authorities, and professional trade groups:

▪Linda Daniels	BOR	▪Ron Nawrocki	OPB
▪Larry Latimer	DOC	▪Tim Connell	OPB
▪Dr. Jerry Rochelle	DOE	▪Gena Abraham	GSFIC
▪Joe Watkins	DHR	▪Weymand Smith	GSFIC
▪David Clark	DJJ	▪Sen. Eric Johnson	State Legislator
▪David Freeman	DNR	▪Rep. George Hooks	State Legislator
▪Tony Bruehl	DTAE	▪Rep. Earl Ehrhart	State Legislator
▪Gordon Jett	DOT	▪Jim Lientz	COO
▪Ray Crawford	GBA	▪Tommy Hills	CFO
▪George Zier	Law Dept	▪Bob White	Office of the SOS
▪Karen Harrison	AIA of Georgia	▪Mike Cassidy	GA Research Alliance
▪Mark Woodall	Exec. Dir. GA Assoc. of General Contractors	▪Tom Leslie	Exec. Dir. American Council of Engineering Companies of GA



Capital Construction Additional Documentation

Information and Reports Referenced

- | | |
|---|--|
| <ul style="list-style-type: none">• DOE Capital Construction Procedures• DHR Capital Construction Procedures• DJJ Capital Construction Procedures• DTAE Capital Construction Procedures• DOT Capital Construction Procedures• GBA Capital Construction Procedures• GTA Capital Construction Procedures• Constitution of Georgia Article VII• Georgia State Code 50-17-20• State Construction Manual• Governor Busbee Report | <ul style="list-style-type: none">• BROC Study• Capital Outlay and Construction Committee Report• KPMG Report• Williams Report• Governor's Budget Report• State Properties Commission Memo• House Bill 217• House Bill 1079• House Bill 1003• Federal Facilities Council's Report on the Role of Facility Design Reviews in Facility Construction |
|---|--|

