



Legislative Fiscal Bureau

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Joint Committee on Finance

Paper #189

Out-Year Bonding for Non-UW Projects (Building Program)

[LFB 2005-07 Budget Summary: Page 96-7, #5 and Page 96-11, #10]

CURRENT LAW

Building program projects with a cost exceeding \$500,000 are required to be enumerated in the authorized state building program. To enumerate a project, the Legislature lists the project title and budget in a nonstatutory provision enacted as part of the biennial budget bill. In addition, the Legislature must authorize any new bonding or other monies needed to fund the project.

BUILDING COMMISSION

Authorize \$15,000,000 in general fund supported bonding (GFSB) for a shared storage building for the Wisconsin Historical Society and the Veterans Museum. This bonding could not be issued until after June 30, 2007.

Authorize \$20,500,000 in program revenue supported bonding (PRSB) for the acquisition, construction, development, enlargement, or improvement of facilities at 22 and 30 W. Mifflin St. in Madison. This bonding could not be issued until after June 30, 2007. Enumerate the purchase and remodeling of the buildings currently at these sites with a project budget of \$20,500,000 as part of the 2005-07 state building program.

Modify the existing Veterans Affairs debt service appropriation for self amortizing housing facilities by: (a) deleting the reference to housing in the appropriation title; (b) referencing the receipt of monies from providing housing services at the Northern Wisconsin Center for the Developmentally Disabled; (c) referencing the receipt of monies from operations at 22 and 30 W. Mifflin St. in Madison; (d) authorizing the payment of principal and interest costs incurred in acquiring, constructing, developing, enlarging, or improving facilities at the

Northern Wisconsin Center for the Developmentally Disabled and at 22 and 30 W. Mifflin St. in Madison; and (e) authorizing payments related to an agreement or ancillary arrangement associated with public debt.

DISCUSSION POINTS

Wisconsin Historical Society and Veterans Museum Storage Facility

1. During the Building Commission's deliberations on the 2005-07 state building program and the concept of a six-year capital budget plan, the idea of a joint Wisconsin Historical Society (WHS) Museum and the Department of Veterans Affairs (DVA's) Veterans Museum structure on the Capitol Square in Madison was discussed. Currently, both facilities are located on the square with the WHS facility located on the corner of Carroll and State Streets and the Veterans Museum on the corner of Mifflin and State Streets. The Building Commission deliberations included a discussion of the construction of a new, single structure that would house both museum facilities that would either be located at the current WHS site or the Veterans Museum site was discussed. Under either scenario, additional property would have to be purchased or leased in order to construct a structure that could provide sufficient space for both museums and agencies.

2. The building program would provide \$15 million GFSB to construct a storage facility in the Madison area to house artifacts and collections managed and maintained by WHS and DVA. The facility would be enumerated as part of the 2005-07 state building program as a \$15 million project. However, the bonding provided for the project could not be issued until the 2007-09 biennium.

3. WHS is the state's trustee for collecting and preserving products and artifacts of historical significance. The WHS library and archive collections were valued at more than \$750 million in 2002. Because of the age, makeup, and condition of much of these collections, special facilities, including temperature and humidity controlled storage environments, are important.

4. Currently, the WHS's Madison headquarters building serves as the primary storage facility for the library, archives, and museum collections. WHS also leases 17,600 square feet of offsite storage space. However, according to Building Commission documents, some of the current storage areas would be better used for other purposes, such as public program and staff space. They also indicate that other storage areas within the existing WHS facility are inadequate due to temperature and humidity concerns. WHS's storage concerns have resulted in requests for increased WHS storage facilities in past building programs.

5. The environmental and security requirements for the DVA museum are similar to those of the Historical Society. The storage facility would also house staff from both agencies that work with items and artifacts included in both agencies' museum collections. In addition, DOA staff indicates that the combined facility could be a cost effective means to address both agencies' long-term space needs. Also, the relocation of artifact storage and related staff from the current WHS and DVA museum facilities could make the development of a joint museum that provides

adequate permanent and temporary exhibit space, support spaces, and also houses each agency's administrative functions on a Capitol Square site a more viable option.

6. The estimated GPR debt service on the \$15 million GFSB that would be provided the project is \$1.2 million annually over a 20-year period. Principal and interest costs on the bonds over that 20-year period would total \$24 million GPR. As enumerated, the storage facility project would be 100% funded with general fund supported bonding. Therefore, the state's commitment of bonding at this time, even though bonds could not be issued until the 2007-09 biennium, would not be needed to leverage possible gift funds for the project.

7. According to WHS staff, the size and scope of the proposed storage facility have yet to be determined. In addition, no estimate of the annual operating costs associated with the facility were included in the information presented to the Building Commission prior to its decision to include the facility in the 2005-07 state building program. Because the facility would not be constructed until the 2007-09 biennium, the scope and design of the project are yet to be finalized, and the impact of the facility on WHS's and DVA's operating costs are not known, the project could be enumerated and funding provided in the next biennial state building program. Under this alternative, the Committee could decide not to enumerate the project in the 2005-07 building program and not provide the bonding at this time.

DVA Purchase of Buildings at 22 and 30 W. Mifflin Street

8. The building program would also advance enumerate a project that would allow the DVA to purchase and remodel the buildings at 22 and 30 West Mifflin Street in Madison. The project would be enumerated as part of the 2005-07 state building program but the \$20.5 million of PRSB for the project could not be issued until the 2007-09 biennium. DVA was provided the authority to acquire a headquarters and museum facility by gift, purchase, or condemnation under 2003 Act 83.

9. Other provisions in the 2005-07 building program would create a new program revenue supported bonding authorization for the acquisition, construction, development, enlargement or improvement of the Mifflin Street properties. In addition, DVA's program revenue debt service appropriation for its housing facilities would be modified to allow the appropriation to receive monies from the operations of the Mifflin Street properties and to authorize the payment of principal and interest costs incurred in purchasing and remodeling these properties with to be made from the appropriation. Currently, monies associated with the operation of the Wisconsin Veterans Home at King are deposited to this appropriation and only debt service payments associated with costs incurred improving the Wisconsin Veterans Home at King can be made from this appropriation. If the Committee chooses not to enumerate the purchase and remodeling of the Mifflin Street property at this time, the Committee may also want to delete the changes to DVA program revenue debt service appropriation.

10. The building program documents included with the Building Commission's recommendations do not indicate the amounts or types of revenues that would be generated at

DVA's Mifflin Street facilities and whether those revenues would be sufficient to meet any debt service required on the bonds issued to purchase and remodel the properties. However, Building Commission documents do indicate that because DVA does not occupy the entire space that would be purchased, DVA could lease the remaining to space other state agencies. This revenue would likely be available to assist in making annual debt service payments on any bonds issued for these facilities.

11. DVA currently occupies 60,800 square feet at 22 and 30 West Mifflin in Madison, which includes offices, program space, and the Veterans Museum. The Veterans Museum occupies the basement and first three floors of the 10 floor building as well as administrative space in the 5th through 9th floors. Other state agencies and private sector tenants also lease space in the building. DVA has been leasing this space since 1990, and is currently in the process of negotiating an extension to its lease for the administrative support space. DVA's request for this enumeration indicated that the ownership of the building would allow DVA greater flexibility to expand the museum and/or office facilities to satisfy additional growth and space needs. Further, enumerating the facility at this time would provide DVA some assurance that they will remain at their current facilities on the capitol square.

12. Of the \$20.5 million PRSB that would be provided for the project, approximately \$8.15 million would be used to purchase the facility and \$12.35 million would be needed to renovate the facility. No estimate of the annual operating costs associated with the facility is provided in the Building Commission documents. They do indicate that other state agencies would pay rent to DVA for any space they would rent in the building and that DVA would be responsible for the utilities, maintenance, janitorial services, and payments for municipal services associated with the building.

13. Building Commission documents indicate that this enumeration would be a placeholder or second option for the DVA in the event that a joint facility with the WHS fails to progress. DOA staff also indicate that if the state does make progress on a joint WHS and DVA facility on the Capitol Square, neither the current WHS-owned Carroll Street site or the site that would be purchased by DVA under this enumeration would have sufficient space to house both museums as well as staff from both agencies. Therefore, the purchase of the Mifflin Street properties at this time would not make the joint facility that is currently envisioned any more likely.

14. The enumeration of this project was not included in the DOA staff 2005-07 recommendations to the Building Commission. Rather it was included by the Building Commission on an 8-0 vote in a motion that included most of the Commission's administrative affairs subcommittee recommendations for specific project enumerations. However, Building Commission documents identify some concerns relating to the facility. Based on this material, an August, 2002, report indicated that the building was in need of significant repairs and there are several building limitations, such as a relatively narrow floor plate and low ceiling heights that limit the functionality of the building, as well as the options for renovating the facility. Further, the documents noted that if the state purchases the Mifflin Street property, leases with the current private sector tenants in the building may have to be terminated since the state is prohibited from leasing space that is financed

with tax exempt bonds to private entities. Finally, the documents indicate that given the projected reduction in the state's workforce, it is unclear whether additional state office space is needed.

15. One alternative to the enumeration of the purchase and remodeling of the Mifflin Street properties that was identified by the Building Commission would be to defer this request, and renew the DVA lease while the state reviews other options. This alternative would allow time for DVA to review alternative sites for office space that would be more suitable and less expensive to lease or purchase. This alternative would also avoid committing to a specific site while WHS and DVA continue to work toward a joint facility.

ALTERNATIVES

A. Wisconsin Historical Society and Veterans Museum Storage Facility

1. Enumerate the construction of a combined WHS and DVA storage facility as part of the 2005-07 state building program as a \$15,000,000 project. Authorize \$15,000,000 GFSB to construct the storage facility. Specify that the bonding provided for the project could not be issued until the 2007-09 biennium.

Alternative A1	BR
2005-07 REVENUE (Change to Bill)	\$15,000,000

2. Maintain current law. The project would not be included as part of the 2005-07 building program.

B. DVA Purchase of Buildings at 22 and 30 W. Mifflin Street

1. Enumerate the purchase and remodeling of the buildings at 22 and 30 West Mifflin Street in Madison as part of the 2005-07 building program at a total project cost of \$20,500,000. Authorize \$20,500,000 PRSB for the project. Specify that the bonding could not be issued until the 2007-09 biennium. In addition, approve the Building Commission recommendation to modify DVA's housing facilities PR debt service appropriation to allow for payment of PR debt service on the project from this appropriation.

Alternative B1	BR
2005-07 REVENUE (Change to Bill)	\$20,500,000

2. Maintain current law. The project would not be included as part of the 2005-07 building program and the proposed changes to DVA's existing housing facilities PR appropriation would not be made.

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