

4

TO: Executive Board
FROM: Sarah Reeves, Executive Director
Amy Jewell, Director of Administration
DATE: August 8, 2022
RE: Administrative Office Space Update

This memo is to inform the Executive Board about progress towards new Administrative Office space for CSWD. In 2021, an update was presented to the Finance Committee after the February 23rd budget meeting as a component of the draft FY2022 budget regarding the need for improved administrative office accommodations. The impetus for a new Administrative Office was the realization that while we'd made do in the current Admin Office at 1021 Redmond Rd for many years, despite inadequacies presented by the location such as internet connectivity challenges, annual seasonal flooding concerns no centralized ventilation system, ongoing concerns for air quality and mildew concerns, and the driveway opening on a very dangerous curve, the building could never be a healthy workspace when we faced with risks like Covid-19.

Current State

The office space at 1021 Redmond Rd in Williston is a repurposed residential raised ranch house. The District purchased the property in 1992 (the house and 2.51 acres) for \$281,000. Over the next year, CSWD spent \$93,000 to renovate the house into office space. In 2006, an addition was built at a cost of \$173,150 adding five office spaces. Another two spaces were created in 2015 for \$11,000. The total capital investment of purchase and additions is \$558,150. This amount does not include repairs over the years, such as to the potable water well, parking lot repair, French drain installation, or mold mitigation. Annual expenses are just over \$38,000 and include insurance, heating, water/sewer, trash/recycling, maintenance, lawn mowing, snow plowing, and electricity. Not included in the admin budget for the building are IT expenses, as those costs are allocated to each program. The town valuation of the property on the grand list states a value of \$556,580.

The office is now approximately 3,500 square feet and can house 18-19 employees. We need to be able to accommodate 22 employees and should consider future needs in the event staffing needs to grow. Currently we need to use space in the ODF office for two members of the Outreach and Education team and another employee, hired during the pandemic, has never worked in the admin office due to the lack of office space. There are permit related limitations of both the septic system and potable water well that prevent us from further expanding the building without drilling a new well. There is no centralized ventilation system, which in the age of Covid, presents a distinct health risk to employees. From March 15, 2020, through June 30, 2020 Administrative office staff worked from home due to the pandemic. To comply with Covid-19 mitigation guidelines, when we returned to the office no more than eight employees were allowed in the office at the same time. We allowed full return in 2021 and today most Admin employees work most days in the office. Three employees remain fully remote, with the remainder in the office between 3-5 days per week. We continue to allow flexible work schedules which are approved by each employee's manager.

Grand Experiment

Working from home has provided excellent insights into how we work well as a group, what happens when we don't have regular in-person interaction and has highlighted efficiencies we hadn't realized were in place until

we were all working remotely, and we had to create workarounds. The goal of the manager team is to bring the admin staff back to work together as a unit. We would continue to allow schedule flexibility, but we recognize that our group thrives through our interactions with each other. Simply said – we’re better when we’re together.

Current Considerations

In March 2022, the Board of Commissioners approved a contract with architects Freeman French Freeman to work with staff to design a new administrative building to be constructed on District property immediately north of the site slated for a new Materials Recovery Facility. The admin building site is on the north side of the Velco access road, just below the “south field” of the Organics Diversion Facility. The site has been wetlands delineated and is well situated for access to two (hopefully three) District facilities. The work with FFF has been illuminating. A new administrative building on Redmond Road remains the preferred ultimate option, however cost is a significant new factor. Initial estimates in late 2020 for a new build ranged between \$1M-\$1.2M. That estimate increased to \$1.8M in early 2021. By the time the capital budget was being developed for FY2023, the staff estimate increased to \$2.4M and this is the amount in the budget. On August 1, 2022 staff received an Opinion of Probable Cost estimate of \$4.4M, or \$384/sqft, nearly double the budgeted amount. At current square footage costs, the budget supports a building size of 4,690 sqft. This is just over 1,000 sqft larger than the current office space.

The estimate is for a building approximately 9,400 sqft. This size represents the space needed to support full staff presence in a healthy and productive work environment, as well as support Board of Commissioners meeting needs. To reduce costs, we could eliminate the boardroom space, but it would not be enough to bring the project into budget range. The estimate does not include utility work, permits, sprinkler systems, telephone or computer equipment, winter work expenses, or any furnishings. The estimate also does not consider alternative heating and cooling options, or energy efficiencies such as solar or geothermal.

We did not ask for anything fancy. We asked FFF to design a one-story space with individual offices, each with a window, because this is what our staff told us was their preferred work environment. We asked for the common spaces to be light filled, which was accomplished by each office having glass walls facing the internal hallways and with clerestory windows in the roof pitch. We asked for meeting space to accommodate Board meetings, subcommittee meetings, and staff trainings. The space needs to be ADA compliant which dictates the sizes of doorways, bathrooms, and hallways. The construction was to meet, not exceed, code for energy efficiency. LEED certification was quickly abandoned as too expensive (although common LEED approaches were retained as standard design). FFF provided cost-saving direction, such as recommending the building be metal construction instead of stick-built, but the current construction environment means that there aren’t any significant savings to be found without significantly reducing the size of the building.

We asked FFF to estimate the cost of phasing in construction of the building, specifically, building half the building now with the remaining half constructed at a future date. The design is an “L” or “V” shape which could facilitate modular construction. The smaller phase estimate is \$3.2M. Phasing construction would present additional problems, specifically in deciding which employees would be allowed in the new space and which would continue to work in the inadequate space.

At this time, I cannot recommend proceeding with construction a new administrative office building. I’m hopeful that in time, construction costs will come back down to an affordable place, but we may never see costs at \$200 sqft again, which is where we’d ideally like to be to support building new.

Back to Square One - Options

I decided to look again at leasing, in the hopes that there is a glut in the market which would cause prices to have come down. There is a glut, but prices have not come down. Interestingly, there are several properties for sale that look like they could fit the need. Additionally, I felt we needed to look at the costs for staying where we are and further renovating 1021 Redmond Rd.

Redmond Road properties

- 1) Renovating properties on Redmond Road would involve two properties, 1021 and 1042 Redmond. We also own 1043 Redmond Rd, which is currently rented on a month-to-month basis. 860 Redmond Road is being retrofitted to house the new ODF office space and the new scale house, part of the ODF Phase II capital project plan. The existing ODF office space (1042 Redmond Rd) could be renovated to create - four offices and a meeting room. There are currently three offices and a reception space for customers. The building needs new windows as the existing units leak and are not energy efficient (approximate cost \$1200-\$1400 per window installed, 12 - 14 windows). The building would also need another office space requiring small construction (carpentry, drywall, paint, electric), and internet and network connections. The bottom level of the building is not suitable for any use other than minimal storage. There is a bathroom on the bottom level which if we needed to put into full use would need to be completely gutted and rebuilt. Lastly, we need to address ongoing issues with pests. Total estimated costs for 1042 Redmond Rd renovations are \$30,000 - \$40,000 without the second bathroom renovation, or \$45,000 - \$60,000 with a second bathroom rebuild. Four employees could be housed in the renovated space.
- 2) The property adjacent to 1021 Redmond Rd (1043 Redmond Rd) is not conducive for office use due to the A-frame structure which would require significant remodeling expense if pursued. This property, combined with 1021 Redmond Rd, is being considered for transfer to the Town of Williston to satisfy the promise of a "6-acre parcel" in the Host Town Agreement.
- 3) Further renovations to 1021 Redmond would be extensive. There are ongoing mild concerns on the first floor, in the storage area behind "the garage" and which has rendered one office unusable, and the storage closet an unhealthy space. The offices in the old garage space were inadequately insulated and are also susceptible to mildew conditions. The back portion of this side of the building is also susceptible to flooding during early spring which in recent years damaged District historic files and jeopardized our server. The initial thought (not confirmed by an outside engineer or architect) is that the garage section, storage room, rear office, and server area would need to be completely removed and rebuilt. The building is minimally in compliance with the ADA, but if rebuilding a portion of the office, I would insist that we become fully compliant and remove the "ramp" from the back of the house. We would address the drainage issues on the back (west) side of the house at that time. If completely rebuilding "the garage" section of the house, it would be prudent to build it as a two-story addition and add office spaces and another bathroom to that new addition (approximately 1000 sqft). At \$350 sqft, just the addition could cost \$350,000.

One key problem is the limitation of the potable water well. The building is at capacity for the limits of the well. Over the past year, the office experienced at least two occasions where the well water was not suitable to drink. This would need to be addressed and remedied. The other key problem is the lack of central ventilation. There is no ductwork in the building. Heating is baseboard, and cooling is window unit air conditioners, wall-unit air conditioners, or fans. The realities of the pandemic have thrown focus on air exchange systems and a renovation would need to consider this retrofit. I'm not sure at this time if this would be feasible in the original and/or 2006 addition parts of the building. Total project cost easily reach \$500,000 for a building that would remain inadequate for all of our needs.

Leasing

1) We could temporarily lease existing office space in the area, with most properties requiring a minimum three-year lease. Leased spaces are generally available very quickly and move-in is only dependent upon the amount of fitting-up needed. Benefits to leasing come with the fees paid to the property manager as part of the lease agreement (the NNN, or Triple-Net fees). These tend to cover a share of the property taxes (unclear if we'd receive a discount due to being a municipality, but doubtful), snow plowing, property maintenance, common space maintenance, trash and recycling, water, and occasionally heat. Electricity is usually not included. We are researching available spaces that can accommodate all Admin employees without significant retrofitting. Space requiring retrofitting to our needs (24 offices, meeting rooms, a kitchenette, bathrooms, storage, server space, parking) all require a minimum three-year lease, with five years preferable to the property owner. The costs to retrofit would be added to the cost of the lease and spread out over the course of the term. In 2021, we researched leasing space at 120 Kimball Ave in South Burlington. The space was ideally suited to our needs, requiring no fit-up. The minimum term was three-years, and the annual lease amount was \$234,000. However, at the time, the Finance Committee deemed the lease amount to be too high and agreed with staff's recommendation to pursue new construction. For comparison, there is space currently available in South Burlington on Williston Road that looks very appealing, with excellent access to nearby CSWD facilities and ample workstations for staff. Parking is ample and included in the lease costs. Minimal fit up would be needed in this location, mainly to create more privacy and a meeting space. The cost for this space is just approximately \$166,000/year and does not include utilities or the amortized cost of fit up. This particular lessor would consider providing a "5 and 5", which is a five-year initial term, with a five-year renewal. This would include a "kick out" option at Year 5 and Year 7, which would allow CSWD to leave the space. If we left prior to the completion of the 10-year total term, we would be responsible to pay back the remaining amortized value of the fit-up costs. If fit up were \$100,000 the additional cost would be \$10,000 per year. Cost for the 10-year term: \$1.93M.

If proceeding with leasing, I would seek permission from the Board to move \$2M from the capital reserve to the unrestricted reserve, and budget the lease payments as a transfer from the unrestricted reserve to the administrative budget for the length of the lease.

Buying

1) A new and intriguing option is to purchase office space. There are several office condominium spaces available for sale in Burlington and Colchester. Program Directors toured spaces in Burlington, and Colchester. All spaces are entire floors of the buildings. There are benefits to purchasing versus leasing worth exploring.

The spaces in Burlington are in downtown proper, and with work proceeding on the Champlain Parkway and City Place, the value of the properties should increase within the next five years. The buildings are well-maintained with one of the properties' developers occupying space on-site. As with leasing, these options would allow us to move into a new space very quickly (as opposed to construction). Purchasing an office condominium would provide the same benefits as leasing, but with the security of knowing we were occupying our own space and had an asset for future disposition. Leasing costs escalate each year of the agreement. The condo fees would need to be approved by the association, and presumably as an owner, CSWD would have a seat at that table. There are typical condo association concerns and questions to address (covenants, association reserves, assessments), as well as the question of property taxes. We don't currently pay property taxes for the properties we use for official municipal business. It's unknown if the condo association would need to somehow assess for the lost share of property taxes, or if the city would

waive the tax. One property is being offered at \$1.02M (5,600 sqft), and the other is offered at \$1.45M (9,400 sqft). Both need minimal fitting-up to provide the number of office spaces desired, and both will most likely sell below asking. The larger unit has been on the market for a considerable time and has already experienced a price reduction. Parking fees are not included with either property, so we would most likely rent spaces in the attached garages. Depending on the number of spaces needed on a daily basis, the costs could be approximately \$2,000/month (20 spaces). We would “purchase” tickets or tokens for visitors to the office so as to cover the cost of attending meetings in person. The larger unit is, incidentally, the same size as is being designed by Freeman French Freeman as our new construction. If we purchased that unit, we’d learn if the size is truly adequate, too large, or somehow too small.

The space in Colchester is easily accessed off the highway and is considerably less expensive than the Burlington properties. However, the potential for resale or rental/leasing in Colchester is much lower than in Burlington. The same tax question would need to be addressed in Colchester. The unit we visited offered at \$795k. The price reflects the location. Fit-up needs are extensive and could easily add another \$300k. There are no additional fees for parking.

If pursuing any of these properties, I would aim for a maximum all-in budget of \$1.4M: purchase, fit up, and any additional office supplies needed. This would leave at least \$1M in the capital reserve as available for other projects, or as seed money in a building fund targeted for a future administrative office building.

Purchasing an office condo would allow us to occupy a professional office space very quickly and do so in a healthy environment, both from a physical health perspective and a working relationship perspective. We could stay in the condo for as long as well like, not subject to lease increases or the sale of the property. As the owner, the investment would appreciate, and we could at some point down the road sell the property and invest in a new build on Redmond Road. We’d also have the option to lease if we wanted to continue to be landlords after divesting ourselves of our other rental properties. Releasing 1021 and 1043 Redmond Rd would also facilitate the transfer to the Town of Williston and satisfy that obligation.

I still believe the concept of a Redmond Road campus is the ultimate goal, but at the moment, it simply isn’t affordable. The goal of reuniting the Admin Team is taking precedence and we currently have opportunity to buy or to lease space that will serve the District well.