

**AMENDED PROSPECTUS – ALTERATION
985 MICHIGAN AVENUE
DETROIT, MI**

Prospectus Number: PMI-0800-DE17
Congressional District: 14

FY 2017 Project Summary

The General Services Administration (GSA) requests additional approval and funding for a repair and alteration project to renovate 985 Michigan Avenue in Detroit, MI to extend service life, improve operational efficiency, and undertake interior alterations for reconfiguration and consolidation of federal agencies into the facility. The consolidation of federal agencies will decrease reliance on leased space, improve space utilization, and incorporate alternative workplace solutions. The Government is expected to achieve savings due to lease cost avoidance of approximately \$7,900,000 per year.

The building was constructed in 1995 as a build-to-suit lease to be occupied by the Internal Revenue Service (IRS). GSA exercised a \$1 lease purchase option at the end of the lease term and assumed ownership of the building on April 16, 2015.

This prospectus amends PMI-1951-DE15, which was approved in FY 2015, to reflect budget increases subsequent to preparation of the FY 2015 prospectus. Further analysis conducted after the execution of the purchase option and submission of the FY 2015 prospectus identified additional elements resulting in increased costs for interior construction work and electrical upgrades and reduced/eliminated costs associated with the elevator systems, parking garage, and exterior repairs.

FY 2017 Committee Approval Requested

(Construction, Management and Inspection)..... \$14,617,000¹

FY 2017 Committee Appropriation Requested

(Construction, Management and Inspection).....\$81,303,000

Major Work Items

Interior construction; heating ventilation and air conditioning (HVAC), electrical, fire, and life safety replacement/upgrades; elevator and plumbing upgrades; demolition; exterior construction

¹ Balance of approval needed for project equals \$14,617,000. (Project approval of \$74,913,000 – House Committee on Transportation and Infrastructure resolution dated July 16, 2014, and the Senate Committee on Environment and Public Works resolution dated April 28, 2015)

**AMENDED PROSPECTUS – ALTERATION
985 MICHIGAN AVENUE
DETROIT, MI**

Prospectus Number: PMI-0800-DE17
Congressional District: 14

Project Budget

Design (FY 2015)	\$8,227,000
Estimated Construction Cost (ECC)	75,647,000
Management and Inspection (M&I)	<u>5,656,000</u>
Estimated Total Project Cost (ETPC)*	\$89,530,000

*Tenant agencies may fund an additional amount for tenant improvements above the standard normally provided by GSA.

Schedule

	Start	End
Design	FY 2015	FY 2017
Construction	FY 2017	FY 2019

Building

The office building is 10 stories above grade with a basement and has approximately 866,000 gross square feet. The majority of the mechanical equipment is housed in a three-story structure adjacent to the building. The building has a 10-story parking garage with approximately 850 spaces.

Tenant Agencies

Department of the Treasury, Department of Justice, Department of Homeland Security, Department of Labor, State Department, GSA, U.S. Air Force Reserves, U.S. Office of Special Counsel, Social Security Administration, and Health and Human Services-IG

Proposed Project

GSA proposes to renovate the building to extend its useful life and consolidate federal agencies from leased locations in Detroit, MI. Renovation of the building systems includes improvements to the HVAC systems that will result in energy savings, repairs to elevators for code compliance, repairs to the building's windows and facade, replacement/upgrades of fire protection systems, improvements to the electrical infrastructure, plumbing upgrades, and renovation of common areas.

Department of Treasury – Internal Revenue Service (IRS) is currently located at the 985 Michigan Avenue building and another leased location. Interior alterations will be made to allow for the reconfiguration of IRS space and consolidation of Federal agencies into

**AMENDED PROSPECTUS – ALTERATION
985 MICHIGAN AVENUE
DETROIT, MI**

Prospectus Number: PMI-0800-DE17
Congressional District: 14

space released by the IRS with the other largest consolidations being Department of Homeland Security and Department of Justice. Other proposed backfill agencies are currently housed in leased facilities.

Major Work Items

Interior Construction	\$28,075,000
HVAC Replacement/Upgrades	18,283,000
Electrical Replacement/Upgrades	12,545,000
Fire and Life Safety Replacement/Upgrades	7,635,000
Demolition	4,181,000
Exterior Construction	3,899,000
Plumbing Upgrades	826,000
Elevator Upgrades	<u>203,000</u>
Total ECC	\$75,647,000

Justification

This project will create a multi-tenant federal building by significantly reducing the IRS' footprint in the building and consolidating a number of federal agencies (including the IRS) from leased facilities into the 985 Michigan Avenue facility. The Government is expected to achieve savings due to lease cost avoidance of approximately \$7,900,000 per year.

The building is 20 years old and was constructed for data center activities, many systems are inefficient and are approaching the end of their useful lives. Mechanical, electrical, elevator, and plumbing systems have operated 24/7, 365-days/year since the building was constructed in 1995. Upgrades to the building's infrastructure are required to extend service life, reduce energy consumption and operating expenses, and ensure long-term occupancy of federal tenants. The HVAC system was built for data center functionality and is inefficient and oversized for office use. Fire and life safety systems are not compliant with current code. Additionally, the building envelope is showing signs of deterioration.

Summary of Energy Compliance

This project will be designed to conform to requirements of the Facilities Standards for the Public Buildings Service and will implement strategies to meet the Guiding Principles

**AMENDED PROSPECTUS – ALTERATION
985 MICHIGAN AVENUE
DETROIT, MI**

Prospectus Number: PMI-0800-DE17
Congressional District: 14

for High Performance and Sustainable Buildings. GSA encourages design opportunities to increase energy and water efficiency above the minimum performance criteria.

Prior Appropriations

Prior Appropriations			
Public Law	Fiscal Year	Amount	Purpose
113-235	2015	\$8,227,000 ²	Design
Appropriations to Date		\$8,227,000	Design

Prior Committee Approvals

Prior Committee Approvals			
Committee	Date	Amount	Purpose
House T&I	7/16/2014	\$74,913,000	Design and Construction
Senate EPW	4/28/2015	\$74,913,000	Design and Construction

Prior Prospectus-Level Projects in Building (past 10 years):

None

Alternatives Considered (30-year, present value cost analysis)

Alteration:\$86,165,000
Lease:\$457,177,000
New Construction:\$374,294,000

The 30-year, present value cost of alteration is \$288,129,000 less than the cost of new construction, with an equivalent annual cost advantage of \$15,470,000.

Recommendation

ALTERATION

² As identified in FY2015 GSA Spend Plan

**AMENDED PROSPECTUS – ALTERATION
985 MICHIGAN AVENUE
DETROIT, MI**

Prospectus Number: PMI-0800-DE17
Congressional District: 14

Certification of Need

The proposed project is the best solution to meet a validated Government need.

Submitted at Washington, DC, on February 8, 2016

Recommended: _____


Commissioner, Public Buildings Service

Approved: _____


Administrator, General Services Administration