DEPARTMENT OF MANAGEMENT SERVICES | DIVISION OF REAL ESTATE DEVELOPMENT AND MANAGEMENT

2011

Strategic/Five Year

Leasing Plan

DOR buildings

Grizzle building

Rick Scott, Governor, State of Florida | John P. Miles, Secretary, Department of Management Services

Table of Contents

Appendices:

Executive Summary

Introduction

Real Property is a strategic asset of the state, and effectively managing the valuable state resources assigned to the Department of Management Services (DMS) is one of the DMS core business functions. DMS has both the responsibility and authority to oversee leases for private space and, accordingly, has implemented the necessary program to effectively oversee those leased facilities. A central principle within the DMS Strategic/Five Year Leasing Plan is the larger concept and objective that the state can derive the greatest value for its investment in real estate assets when it employs a comprehensive real estate portfolio management strategy. All the leasing strategies and implementing initiatives discussed in this plan are elements that support the continuing development of a real estate portfolio management framework.

This plan discusses the application of DMS' five year strategy within its leasing program. The DMS Bureau of Lease Management's strategy focuses on developing a series of coordinated policies and best practices to effectively support, oversee, and execute lease contracts for spaces needed by state agencies.

For the overall effectiveness of the portfolio of real estate assets, when appropriate, DMS engages stakeholders to provide data and expertise needed to make informed decisions about land acquisition, space usage, and the disposition of the state's real estate portfolio in an integrated manner. With this broader perspective, DMS is advancing a collaborative leasing service delivery model to develop and implement standards, protocols, and practices for optimizing space that will involve better space acquisition and space usage templates or standards. One key element in this more collaborative service delivery strategy is an increased role and reliance on the state's tenant brokers to help identify the most productive initiatives and ensure tighter adherence to state leasing program goals, as well as industry standards.

While this 2011 Strategic/Five Year Leasing Plan serves as a standalone document, it is also a component of the DMS 2011 Master Leasing Report, addressing the need for a five year plan, as required in section 255.25(4)(c), Florida Statutes. This Strategic/Five Year Leasing Plan also addresses the requirement for a strategic plan identified by section 255.249(3)(b), Florida Statutes.

Problem Statement

The State of Florida does not currently have a comprehensive mechanism or framework for managing its vast and diverse portfolio of statewide real estate assets. The DMS Division of Real Estate Development and Management (REDM) has oversight for all leased space, but has the management responsibility for less than one percent of state-owned buildings (i.e., only 109 of the 17,999 agency reported facilities). Individual agencies have a high degree of autonomy over the acquisition and administration of workspaces.

The Florida Legislature has placed leased property oversight responsibility in a single program within DMS, but the lack of an equally comprehensive framework for the oversight and managing the state's vast and diverse owned portfolio makes it difficult for Florida to realize many of the potential benefits from its significant real estate investments.

Strategic Goal

DMS, in following the lead of the Governor and the Legislature, seeks to reduce overall leasing costs by 20 percent over the next two years. DMS will accomplish this through creation of a more collaborative, proactive leasing service delivery model and implementing standards and best practices across all state agencies through the following initiatives:

- Optimization of state-owned buildings.
- Enhanced space acquisition protocols.
- Refined governance processes.
- Maximum use of the state’s tenant broker program.

I. Implementing Initiatives

This section provides an overview of the current and planned initiatives.

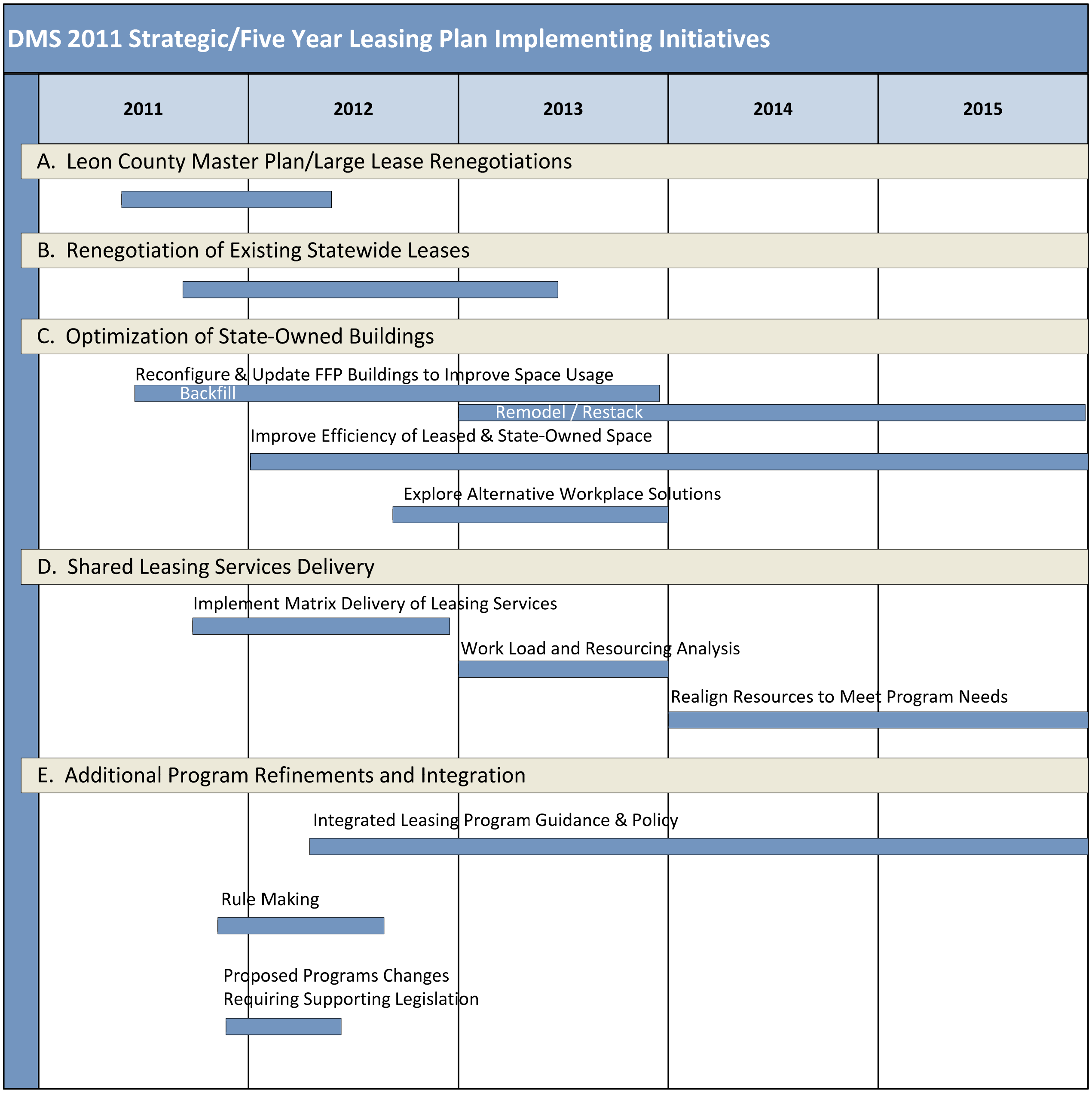

Figure 1: Overview of Initiatives Intended to Implement the DMS Strategic/Five Year Leasing Plan

A. Leon County Master Plan/Large Lease Renegotiations (Chapter 2011-47, Laws of Florida)

Overview of Initiative

Chapter 2011-47, Laws of Florida, directs DMS to use the services of a tenant broker to renegotiate all leases over 150,000 square feet (SF). Pursuant to Chapter 2011-47, Laws of Florida, DMS solicited proposals from the state's three statewide tenant brokers and selected Vertical Integration, Inc., to complete a Leon County Master plan in compliance with the direction in Section 76, which states:

> *"Section 76: In order to implement Specific Appropriations 2587 through 2597 of the 2011-2012 General Appropriations Act and notwithstanding chapter 255, Florida Statutes, the Department of Management Services shall use the services of a tenant broker to renegotiate all leases over 150,000 square feet. Based on the renegotiations, and by September 30, 2011, the department shall report to the Legislative Budget Commission the projected savings, implementation costs, and recommendations for leases to terminate.*
>
> *(1) The report shall also identify any leases that do not comply with state law or the State Constitution, including noncompliance due to a nonappropriation clause, and include recommendations to bring such leases into compliance by June 30, 2012.*
>
> *(2) State agencies shall propose budget amendments pursuant to chapter 216, Florida Statutes, to place the budget authority associated with the cost savings into reserve. If it is determined that additional savings may be derived from consolidating, collocating, and or restacking office space, the Executive Office of the Governor may transfer funds appropriated between agencies, subject to the notice, review, and objection procedures of s. 216.177, Florida Statutes.*
>
> *(3) This section expires July 1, 2012."*

The Tallahassee area is uniquely important to state government operations. Approximately 50 percent of the 6,748,153 total SF of office space that agencies use statewide is located in Tallahassee. The ratio of office space that agencies occupy in FFP building offices and the private sector leased offices in Tallahassee is split 44 percent to 56 percent, respectively. The full research and planning conducted for the Leon County Master Plan will be available on September 30, 2011, shortly after submission of this plan.

Strategies

To help address the various issues associated with the Tallahassee area office space supply and demand, DMS has engaged Vertical Integration, Inc., one of state's three tenant brokers, to implement a four phase study that included coordination with the impacted agencies and interaction with the private sector landlords for the largest leases in the state's portfolio. A project plan was developed that details the approach Vertical Integration, Inc., has taken through each of the four phases: Kick-Off Activities, Due Diligence, Analysis, and Recommendations. Once the plan is complete, and recommendations for proposed savings are reported to the Legislative Budget Commission (LBC), DMS will continue to work with Vertical Integration, Inc., to implement the countywide office space plan.

The plan, with the required update report for the Legislature, is nearing completion. Recommendations are being developed to assist DMS in significantly reducing the state's private lease costs. The Leon County Master Plan will provide an occupancy plan for the county that saves money though enhanced or better use of existing private leases, state-owned space, and restructured lease terms.

This effort considered the leases for office space under the purview of DMS and those agency locations (excluding universities) that have significant excess capacity. There are six leases statewide over 150,000 SF. Though all six leases have been reviewed, the plan places primary focus on four long-term leases in Leon County. These four are commonly referred to as the "master leases" and provide the best opportunity for cost savings. There are 13 agencies located in these four master lease locations:

- Ft. Knox Office Complex, which houses the Agency for Health Care Administration.
- Tallahassee Center (formerly known as The Koger Center), which houses the departments of Financial Services, Juvenile Justice, Education, Transportation, State, and Health, as well as the Fish and Wildlife Conservation Commission and the Agency for Workforce Innovation.
- Northwood Centre, which houses the departments of Business and Professional Regulation, Children & Families, and State, as well as the Agency for Workforce Innovation.
- Winewood Office Complex, which houses the departments of Children & Families (DCF) and Management Services, as well as the Agency for Workforce Innovation (through a sublease from DCF).

These four locations house 5,754 full time equivalent (FTE) positions at an average efficiency of 264 SF/FTE. As part of this study, Vertical Integration, Inc., explored the potential for improved efficiency of these locations, and, based on the targeted efficiencies, they identified a theoretical excess of over 450,000 SF. DMS is using the services of Vertical Integration, Inc., to renegotiate these four leases, and DMS will provide an update, to include projected savings, implementation costs, and recommendations for leases to terminate, to the LBC by September 30, 2011.

B. Renegotiation of Existing Statewide Lease (Chapter 2011-47, Laws of Florida)

Overview of Initiative

Chapter 2011-47, Laws of Florida, further requires state agencies, in cooperation with DMS, to renegotiate or re-procure all private leases expiring before June 30, 2013, in excess of 2,000 SF. DMS requested that all agencies choose one of the state's three tenant brokers for their services related to these leases.

Currently, a significant number of leases do not undergo a competitive procurement because they fall below the 5,000 SF threshold, use renewal options, or execute a stay-in-place lease. The competitive procurement process drives competitive lease terms and achieves savings for the state. Estimated savings from past experience equal a ten-percent reduction in rental rate and another ten-percent savings using concessions like free rent or moving allowances.

Strategies

Historically, only a small portion of agency lease transactions use the services of a tenant broker. By encouraging agencies to engage the services of a tenant broker to identify appropriate cost-saving strategies as outlined below, greater savings can be achieved.

Lease Assessment Methodology

- Determine current occupancy costs to include the cost per SF and current efficiency of the lease.

- Use published data to determine if any state-owned space (both FFP or agency-owned) is available for consolidation, especially where private lease rates are higher than the state's rate of $17.18/SF.
- Identify all other compatible state agency leases located within the same zip code to evaluate whether co-location is viable.
- Identify all leases with the impacted agency within the same county to evaluate whether consolidations are viable.
- If analysis validates the current location is a viable long-term location, attempt to renegotiate the lease immediately using current occupancy cost standards.
- If analysis determines the current location is not a viable long-term location or if the renegotiation attempts did not yield preferred results (as noted above) for the state, proceed with a competitive procurement in the marketplace, which could include a co-location with another agency.

For these cost-saving strategies to be effective beyond the next two fiscal years, it is imperative that state agencies continue to use the state's tenant broker services for this initiative as well as future procurements.

Data that DMS and the tenant brokers are collecting and tracking for this initiative on each of the roughly 270 private leases that expire before July 2013 and are for more than 2,000 SF includes the following:

- *Lease Number*
- *Selected/Assigned Tenant Broker*
- *City*
- *Current SF of Lease*
- *Current Lease Expiration Date*
- *Current Rate / SF*
- *Consider Consolidation Opportunities*
- *Consider Co-Location Opportunities*
- *What FFP Space Should Be Considered*
- *Initiate Reprocurement*
- *If and When a New RSN was Received*
- *Tenant Broker Comments*
- *Agency*
- *County*
- *Zip*
- *Current SF / FTE*
- *Current FTE*
- *Average Current Market Rate*
- *Lease # of Consolidation Candidates (in same county)*
- *Lease # of Co-Location Candidates (in same zip code)*
- *If and When Renegotiation was Attempted*
- *Target Kick Off Date -Contact Landlord*
- *Previous Savings/ Cost Avoidance (within specific timeframe)*
- *Agency Comments*

In compliance with the direction of the Legislature, DMS will provide an update to the Governor's Office and the Legislature, on the status of lease renegotiations and resultant savings, no later than March 1, 2012.

C. Optimization of State-Owned Buildings

Overview of Initiatives

To best control leasing costs, DMS must ensure that available state-owned space is used to meet agency leased space needs, if appropriate, before approving an agency's lease for private sector space. As noted in the 2011 State Facilities Inventory Report, Florida agencies reported ownership for 17,999 facilities[1]. In the coming year, with the implementation of the Florida State Owned Land Records Information System (FL-SOLARIS), DMS will have better information on the nature and capabilities of these thousands of facilities. However, at present, DMS has management authority and responsibility for only 109 facilities, with 104 of those in the FFP. DMS will continue to focus resources on managing the occupancy and usage of the FFP before approving execution of private leases for similar spaces. DMS will also provide guidance to agencies for maximizing the usage of office buildings they own, but any such guidance is non-binding until such time as DMS' responsibility for the Real Estate Portfolio might be expanded beyond the FFP.

Strategies

Two different approaches are planned to optimize the use of FFP buildings. Though the FFP operates at 96 percent occupancy, the first priority is to back fill vacant space, as appropriate, and do so with minimal renovations. The second priority, which is a longer-term strategy, is to reconfigure and remodel FFP assets to improve space usage, house more state employees, and shrink the overall footprint of the state's private lease portfolio.

Renovating or remodeling FFP buildings to back fill vacancies or optimize space usage is somewhat easier in theory than it is to execute. The major constraint continues to be the limited availability of funding for the typical tenant required space refresh and/or reconfiguration modifications to move state agencies from private leased space to state-owned space.

Unlike the current private sector environment, where upfront funding for necessary tenant improvements are built into the rental rate and amortized over the term of the lease, the current model for tenant changes to FFP office space requires agencies to fund their reconfigurations and modifications up front. This dynamic frequently prevents agencies who would otherwise occupy space in the FFP from doing so. Challenges include the type of improvements that are necessary to backfill the space.

The two types of improvements to building layouts are considered either a renovation or remodeling. The terms are often used interchangeable as "tenant improvements" but have distinct characteristics from a state budgeting perspective:

- Renovation: Replace existing finishes (new floor finishes, repaint walls, replace lay-in ceiling tile) without any reconfiguration of interior partitions (wall) or ceilings. This also includes rearrangement of modular furnishings that do not adversely impact life safety ingress/egress.

  These types of improvements are most commonly referred to as Tenant Improvements. Appropriations for these projects within the FFP are funded through a portion of the DMS rental rate (.25 cents) in the Supervision Trust Fund. *Current fiscal year appropriation is approximately $1.5 million.*

- Remodeling: Reconfigure existing walls, lighting fixtures, ceiling tiles, or mechanical systems.

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[1] For the 2011 facility data reporting by agencies, "Facility" refers to a building, structure, or building system, not including transportation facilities of the state transportation system. For the purpose of the 2011 State Facilities Inventory Report the term facility is used interchangeably for a building or improved structure. Per section 216.0152, Florida Statutes, there was no minimum threshold for reporting facility information. Agencies were given the "rule of thumb" that if the facility has a roof, and is not adjoined to another facility, no matter what size it might be, the facility should be reported.

These types of improvements are commonly referred to as fixed capital outlay projects. Appropriations for these projects within the FFP are also funded through a portion of the DMS rental rate (*e.g., $1.38 or eight percent for Capital Depreciation*) in the Supervision Trust Fund.

The pie chart in Figure 2 demonstrates how the $17.18/SF rental fee for FFP office space is used to support FFP maintenance and operations.

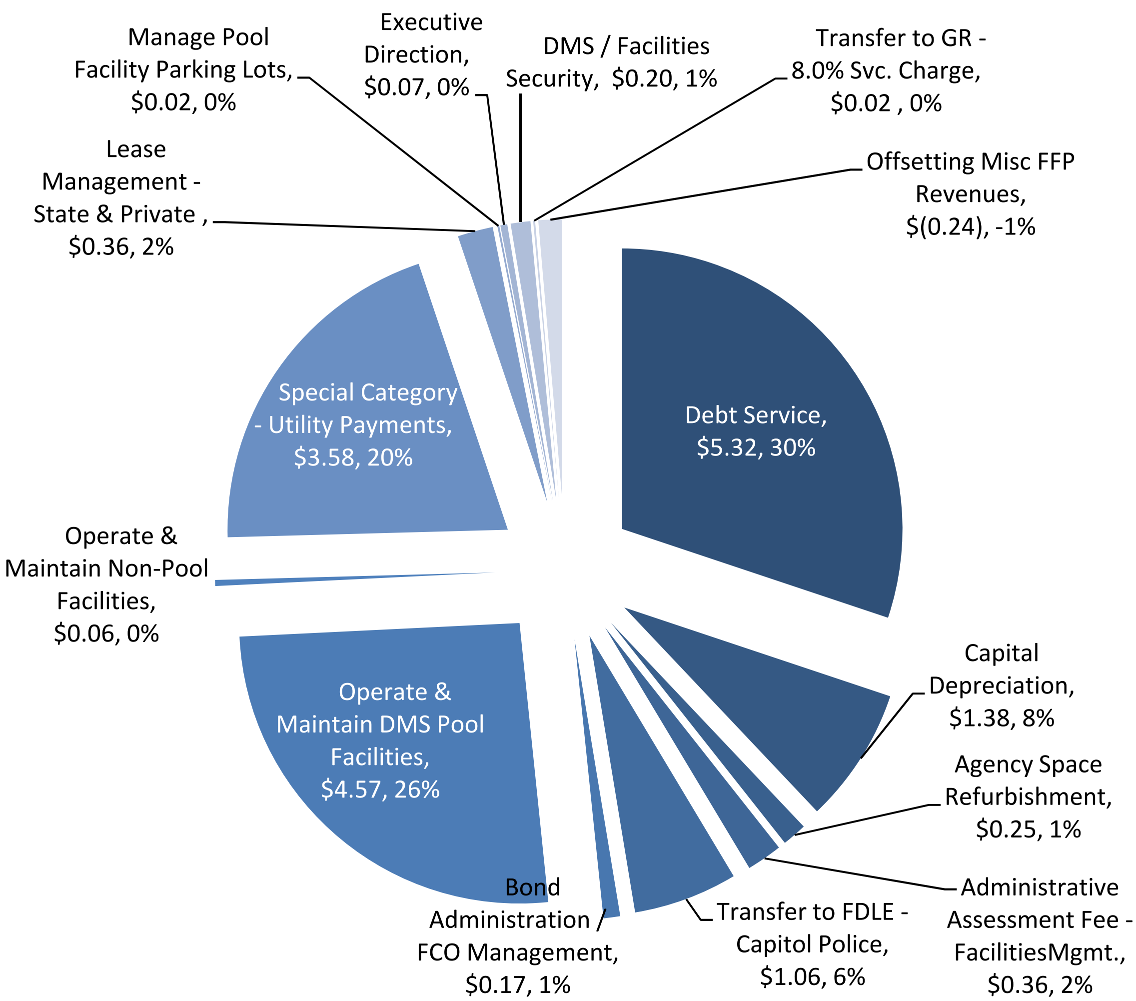

Figure 2: Breakdown of Expenditures for the $17.18/SF DMS collects in the Supervision Trust Fund for Full-service Office Space in the FFP

Current fiscal year appropriation for Fixed Capital Outlay is approximately $8.3 million and will be used to close the gap in funding building deficiency projects such as Americans with Disabilities Act (ADA) compliance, life safety mechanical systems, and other repairs such as Heating, Ventilation, and Air Conditioning (HVAC), generators, or roofs. The current deficiency projects backlog is estimated at approximately $100.0 million.

1. Reconfigure and Update FFP Buildings to Improve Space Usage

In addition to the initiatives identified in Sections I. A. and I. B. above, DMS is working in close coordination with tenant brokers and with the agencies to review existing private leases for the opportunity to reduce costs through possible non-renewal or lease cancellations and move those operations to available state-owned FFP space. The two main options for state-owned space are the FFP and agency-owned buildings. The occupancy rate for the FFP is 96 percent, leaving approximately 200,000 SF of office space within the FFP that could be used by agencies. While the initial focus is to fully occupy the FFP, with time a more comprehensive real estate program will be developed across the state, and as more information becomes available through the FL-SOLARIS initiative, agency-owned buildings will be considered.

To help fund this initiative, DMS is requesting that five percent of the Fixed Capital Outlay funds for Fiscal Year 2012-13 be appropriated to increase space efficiencies that will accomplish the following:

- Preserve and extend the use of the FFP buildings.
- Maximize space for DMS tenants.
- Improve energy conservation.
- Provide a funding mechanism for future projects.

To illustrate the potential return on investment for renovating and remodeling FFP spaces, DMS has developed preliminary analysis in three market areas for FFP buildings that have larger vacancies. Although these preliminary market area analyses are not yet fully developed, when completed they will follow the methodology identified below:

A) Identify private leases that agencies have within each market area.
1) Identify those private leases with rates in excess of the FFP rate.
2) Identify and review the various types of agency programs provided in those leased spaces.
   - Business Operations
   - Customer Services
3) Determine if there are potential conflicts between agency programs and operations within the market area that could rule an agency out of potential building co-location.
4) Evaluate the costs and benefits associated with exercising move to state space clause.

B) Review existing building tenant layouts for opportunities to re-stack and improve space efficiencies.
1) Identify opportunities to re-stack floors based upon high FTE/SF.
2) Assess existing building systems conditions and potential expansion for supporting possible occupant densification:
   - HVAC capacity, distribution, and outside air makeup.
   - Building automation functionality.
   - Electrical panel load capacity.
   - Fire alarm and suppression system capacity.
   - Building safety and security systems.
   - Define maximum occupants per floor for:
     - Plumbing fixture count.

- Structural loading.
- Egress factors.
- Assess parking capacity.

C) Determine the return on investment and payback period for each alternative.

1) Rank highest return lease options.
2) Rank DMS building overall lease returns.

D) Implement Planning Phase.

1) Secure Tenant Improvement project funding source for options with a positive return.
2) Retain Space Planning Firm and tenant broker support.
3) Work with prospective tenant agencies to identify specialized needs and requirements.
4) Develop Master Stacking Plan per Building.
   - Optimize lease space for contiguous departmental adjacency.
   - Define phased occupancy.
   - Estimate phasing cost per building.

E) Implement Tenant Improvement and Transition Plan.

1) Secure construction, furnishings and technology funding source(s).
2) Define consultants and construction management firms per region(s).
3) Engage contractor and establish final implementation and design.
4) If applicable, send termination notifications.

a. Jacksonville Market Area

Based on initial and conservative project estimates for backfilling the Jacksonville Regional Service Center (RSC), in less than four years the state would recover the costs for moving the new tenants into existing vacancies. There is a total 159,899 SF of leasable space at the Jacksonville RSC, and, even at the current 91 percent occupancy, there is still 14,204 SF of vacant space available for use by state agencies.

Table 1: Initial Cost and Saving Estimates for Jacksonville RSC Project

Jacksonville Market Area	Est. Start	Est. Completion	Duration in Wks	Est. Cost	Est. Five Yr Savings
	10/03/11	12/03/12	61	*$248,719*	$148,260
Jacksonville RSC	**14,204**	**Sq Ft of Available Office Space**			
Project Planning and Execution	***10/03/11***	***12/03/12***	***61***	***$248,719***	***Source***
Identify potential sources of project funding	10/03/11	10/31/11	4	*n/a*	
Conduct space/market analysis	10/31/11	11/21/11	3	$3,000	TB Credit Service Hours
Space Planning Phase (Program)	11/21/11	01/02/12	6	$14,181	
OPB Release of Funds	01/02/12	02/13/12	6	*n/a*	
Design Phase (Construction Documents)	02/13/12	04/23/12	10	$21,272	
Bid & Procurement Phase	04/23/12	05/21/12	4	$0	
OPB Release of Funds	05/21/12	07/02/12	6	*n/a*	
Construction (Space Reconfiguration Projects)	07/02/12	10/22/12	16	$177,266	FCO Budget
Construction (TI Projects)	10/22/12	11/19/12	4	$27,000	Agency Funding
Occupancy/Move-in	11/19/12	12/03/12	2	$6,000	Agency Funding
Planned Outcome and Potential Savings	***# of leases***	***Sq Ft***	***FTE***	***Annual Cost***	
Private lease to be terminated	3	14,748	58	$323,421	
Corresponding FFP Office Space		14,204		$244,025	
Estimated Improvement Costs/SF	***$17.51***			**$79,396**	
ROI Summary					
Est. Payback Period (in Years)					
3.9	**1st Year**	**2nd Year**	**3rd Year**	**4th Year**	**5th Year**
Cumulative Projected Savings	-$169,323	-$89,927	-$10,531	$68,864	$148,260

Preliminary analysis indicates that if DMS can invest approximately $250,000 for remodeling and renovation tenant improvements, cancel three private leases in the market area that are at a rate significantly higher than the both the FFP and the local market rates, and move the three agencies into the refurbished Jacksonville RSC, savings from those cancelled contracts would offset project costs in approximately 3.9 years and realize an annual savings of nearly $80,000.

These estimates are based on remodeling about 15 percent (or 2,131 SF) of the 14,204 SF of available space. They include average construction project costs of $52/SF of renovated space and a planning factor of a nine-month lag after the project is completed before any reductions in office rents will be realized. More details on the three leases that are candidates for possible cancellation and subsequent backfill can be found in Appendix I.

b. Tampa Bay Market Area

DMS has two FFP buildings with vacancies in the Tampa Bay area. Taken together, the initial project cost estimates for backfilling both the Grizzle and the Trammell buildings are $829,598, with the combined pay back occurring during year two. There is a total 241,109 SF of leasable space within these two buildings. The current 75 percent occupancy leaves 58,779 SF of vacant space available for use by state agencies.

Table 2: Initial Cost and Saving Estimates for Grizzle & Trammell Buildings Projects

Tampa Bay Market Area	Est. Start	Est. Completion	Duration in Wks	Est. Cost	Est. Five Yr Savings
	12/15/11	**02/10/13**	**61**	***$821,598***	**$2,500,707**
Grizzle Building	**30,124**	**Sq Ft of Available Office Space**			
Project Planning and Execution	***01/15/12***	***02/14/13***	***56***	***$383,461***	
Identify potential sources of project funding	01/15/12	01/29/12	2	*n/a*	
Conduct space/market analysis	01/29/12	02/19/12	3	$3,000	TB Credit Service Hours
Space Planning Phase (Program)	02/19/12	03/25/12	5	$18,797	
OPB Release of Funds	03/25/12	05/06/12	6	*n/a*	
Design Phase (Construction Documents)	05/06/12	07/15/12	10	$28,196	
Bid & Procurement Phase	07/15/12	08/12/12	4	$0	
OPB Release of Funds	08/12/12	09/23/12	6	*n/a*	
Construction (Space Reconfiguration Projects)	09/23/12	01/13/13	16	$234,967	FCO Budget
Construction (TI Projects)	01/13/13	01/27/13	2	$92,500	TI Budget
Occupancy/Move-in	01/27/13	02/10/13	2	$6,000	Agency Funding
Planned Outcome and Potential Savings	***# of leases***	***Sq Ft***	***FTE***	***Annual Cost***	
Private lease to be terminated	1	42,556	184	$1,038,366	
Corresponding FFP Office Space		30,124		$517,530	
Est. Improvement Costs/SF		***$12.73***		**$520,836**	
ROI Summary					
Est. Payback Period (in Years)					
1.5	**1st Year**	**2nd Year**	**3rd Year**	**4th Year**	**5th Year**
Cumulative Projected Savings	$137,375	$658,212	$1,179,048	$1,699,884	$2,220,720

Trammell Building	**28,655**	**Sq Ft of Available Office Space**			
Project Planning and Execution	***12/15/11***	***02/14/13***	***61***	***$438,137***	
Identify potential sources of project funding	12/15/11	12/29/11	2	*n/a*	
Conduct space/market analysis	12/29/11	01/19/12	3	$3,000	TB Credit Service Hours
Space Planning Phase (Program)	01/19/12	02/23/12	5	$28,609	
OPB Release of Funds	02/23/12	04/05/12	6	*n/a*	

Design Phase (Construction Documents)	04/05/12	06/14/12	10	$42,914	
Bid & Procurement Phase	06/14/12	08/02/12	7	$0	
OPB Release of Funds	08/02/12	09/13/12	6	*n/a*	
Construction (Space Reconfiguration Projects)	09/13/12	01/03/13	16	$357,614	FCO Budget
Construction (TI Projects)	01/03/13	01/31/13	4	$0	TI Budget
Occupancy/Move-in	01/31/13	02/14/13	2	$6,000	Agency Funding

Planned Outcome and Potential Savings	***# of leases***	***Sq Ft***	***FTE***	***Annual Cost***
Private lease to be terminated	4	29,889	106	$635,918
Corresponding FFP Office Space		28,655		$492,293
Estimated Improvement Costs/SF	***$15.29***			**$143,625**

ROI Summary

Est. Payback Period (in Years)					
3.8	**1st Year**	**2nd Year**	**3rd Year**	**4th Year**	**5th Year**
Cumulative Projected Savings	-$294,512	-$150,888	-$7,263	$136,362	$279,987

These estimates are based on remodeling about 15 percent (or 4,298 SF) of the 58,779 SF of available space. They include average construction project costs of $52/SF of renovated space and a planning factor of a nine-month lag after the project is completed before any reductions in office rents will be realized. More details on the five leases that are candidates for possible cancellation and subsequent backfill can be found in Appendix I.

c. *Orlando Market Area*

The offset in rent savings from moving three private leases to the Hurston Building, even with a nearly $800,000 project costs, results in an investment payback period of 2.8 years. There is a total 260,071 SF of leasable space in the North and South Towers that make up the Hurston Building. At the current 83 percent occupancy, there is 43,048 SF of vacant space available for use by state agencies.

Table 3: Initial Cost and Saving Estimates for Hurston Building Project

Orlando Market Area	Est. Start 10/03/11	Est. Completion 12/10/12	Duration in Wks 62	Est. Cost *$794,349*	Est. Five Yr Savings $1,179,414
Hurston Building	**43,048**	**Sq Ft of Available Office Space**			
Project Planning and Execution	*10/03/11*	*12/10/12*	*62*	*$794,349*	
Identify potential sources of project funding	10/03/11	10/17/11	2	*n/a*	
Conduct space/market analysis	10/17/11	11/07/11	3	$3,000	TB Credit Service Hours
Space Planning Phase (Program)	11/07/11	12/19/11	6	$32,234	
OPB Release of Funds	12/19/11	01/30/12	6	*n/a*	
Design Phase (Construction Documents)	01/30/12	04/09/12	10	$48,352	
Bid & Procurement Phase	04/09/12	05/28/12	7	$0	
OPB Release of Funds	05/28/12	07/09/12	6	*n/a*	
Construction (Space Reconfiguration Projects)	07/09/12	10/29/12	16	$402,929	FCO Budget
Construction (TI Projects)	10/29/12	11/26/12	4	$301,834	TI Budget
Occupancy/Move-in	11/26/12	12/10/12	2	$6,000	Agency Funding
Planned Outcome and Potential Savings	***# of leases***	***Sq Ft***	***FTE***	***Annual Cost***	
Private lease to be terminated	3	51,484	301	$1,134,317	
Corresponding FFP Office Space		43,048		$739,565	
Estimated Improvement Costs/SF	***$18.45***			**$394,753**	
ROI Summary					
Est. Payback Period (in Years)					
2.8	**1st Year**	**2nd Year**	**3rd Year**	**4th Year**	**5th Year**
Cumulative Projected Savings	-$399,596	-$4,844	$389,909	$784,662	$1,179,414

These estimates are based on remodeling about 18 percent (or 7,749 SF) of the 43,048 SF of available space. They include average construction project costs of $52/SF of renovated space and a planning factor of a nine-month lag after the project is completed before any reductions in office rents will be realized. More details on the three leases that are candidates for possible cancellation and subsequent backfill can be found in Appendix I.

d. Ft. Myers Market Area

From initial and conservative project cost estimates of $351,067 to backfill the Ft. Myers RSC, the payback period is 2.8 years with a cumulative savings in the fifth year of $1.8 million. There is a total 178,941 SF of leasable space at the Ft. Myers RSC, and, even at the current 87 percent occupancy, there is still 22,841 SF of vacant space available for use by state agencies.

Table 4: Initial Cost and Saving Estimates for Ft. Myers Regional Service Center Project

Ft. Myers Market Area	Est. Start	Est. Completion	Duration in Wks	Est. Cost	Est. Five Yr Savings
	10/03/11	**10/29/12**	**56**	***$351,067***	**$1,852,006**
Ft. Myers RSC	**22,841**	**Sq Ft of Available Office Space**			
Project Planning and Execution	***10/03/11***	***10/29/12***	***56***	***$351,067***	
Identify potential sources of project funding	10/03/11	10/17/11	2	*n/a*	
Conduct space/market analysis	10/17/11	11/07/11	3	$3,000	TB Credit Service Hours
Space Planning Phase (Program)	11/07/11	12/12/11	5	$22,804	
OPB Release of Funds	12/12/11	01/23/12	6	*n/a*	
Design Phase (Construction Documents)	01/23/12	04/02/12	10	$34,207	
Bid & Procurement Phase	04/02/12	05/14/12	6	$0	
OPB Release of Funds	05/14/12	06/25/12	6	*n/a*	
Construction (Space Reconfiguration Projects)	06/25/12	06/25/12	0	$285,056	FCO Budget
Construction (TI Projects)	06/25/12	10/15/12	16	$0	TI Budget
Occupancy/Move-in	10/15/12	10/29/12	2	$6,000	Agency Funding
Planned Outcome and Potential Savings	***# of leases***	***Sq Ft***	***FTE***	***Annual Cost***	
Private lease to be terminated	4	20,684	92	$795,966	
Corresponding FFP Office Space		20,684		$355,351	
Estimated Improvement Costs/SF	***$16.97***			**$440,615**	
ROI Summary					
Est. Payback Period (in Years)					
2.8	**1st Year**	**2nd Year**	**3rd Year**	**4th Year**	**5th Year**
Cumulative Projected Savings	$89,548	$530,162	$970,777	$1,411,391	$1,852,006

These estimates are based on remodeling about 24 percent (or 5,482 SF) of the 22,841 SF of available space. They include average construction project costs of $52/SF of renovated space and a planning factor of a nine-month lag after the project is completed before any reductions in office rents will be realized. More details on the four leases that are candidates for possible cancellation and subsequent backfill can be found in Appendix I.

2. <u>Improve Efficiency of Leased and State-Owned Space</u>

DMS is developing standards/guidelines that will help agencies optimize usage of leased and state-owned spaces. These guidelines will improve efficiencies of the leased portfolio by better defining space requirements to reduce the size of the portfolio and drive recurring annual savings. Leases expiring in the next two fiscal years have an efficiency of approximately 230 SF/FTE. The state currently targets a portfolio wide average of 180 SF/FTE, including all ancillary and support spaces, but lacks a methodology and support staff to proactively assist agencies in meeting this target.

Each agency currently has specifications for operations that, in part due to decentralized communication among agencies, carry significant variations for the same type of operations or use. Through the development of standardized work spaces, based on a common-service prototype, the flexibility of accommodating and interchanging work spaces should one agency need to downsize becomes more probable.

This initiative to improve efficiency of leased and state-owned spaces provides the ability for the state to not only upgrade and invest dollars into its owned assets, but to create functional space that multiple agencies can use over the service life of the build-out. Should one agency downsize, another agency can insert FTE into the space without the need for a new build-out resulting in additional costs to the State of Florida.

3. Explore Alternative Workplace Solutions

Another long-term strategy DMS is exploring is the implementation of 'alternative workplace' options. The current space allocation methodology must be revised and frequently results in a maze of private offices that are counter to industry trends of more open and collaborative office environments. Varieties of solutions are becoming popular and include an array of approaches that may also be combined to deliver the best options to achieve specific business needs. Three primary alternative workplace strategies include:

- Traditional telecommuting — mobile work where employees consistently use multiple spaces both inside and out of the office.
- Hoteling — temporary workspace assignments where employees reserve their spot for a specified period of time through some sort of manual or automated reservation system.
- Satellite offices — smaller geographically dispersed business offices located for greater employee and customer convenience.

Many agencies have already begun to apply these strategies to a portion of their business operations but adaptation is limited. Agency decisions to migrate to various alternative workplace strategies are being driven by several factors:

- Pressure to reduce operating costs,
- The viability of technology to support mobility and performance measurement,
- Sustainability goals, and
- The work style preference of younger workers.

Implementing a strategy to optimize state-owned space assures that agencies fully use state-owned assets prior to entering into private leases.

D. Shared Services Delivery Model

Overview of Initiative

The state currently uses a highly decentralized model to provide leasing services to agency business units. This provides a high level of autonomy for the agencies and requires a complex and somewhat redundant management structure to oversee and help coordinate dispersed leasing operations. Additionally, some agencies are more capable and better resourced to provide the specialized lease contracting services. Taken together, these factors tend to limit DMS' ability to fully implement and realize strategic goals and cost-saving initiatives. To better understand the situation and possible remedies, DMS reviewed several service delivery alternatives and determined that the current decentralized model does not represent an efficient long-term option because it cannot achieve optimal portfolio wide savings.

Sections 255.249 and 255.25, Florida Statutes, authorize varying levels of DMS and agency involvement for each lease action, and these differences are based largely on the size of a particular lease. This has fostered a leasing decision making process that is decentralized and is often driven more by the individual agencies' program management decisions than by statewide strategic goals and initiatives.

As an example, currently, private leases below 5,000 SF do not require procurement through competitive solicitation. However, for leases 5,000 SF or larger, DMS has authority to set rules related to procurement of those larger agency leased spaces.

For leases 5,000 SF or larger, DMS typically:

- Reviews and approves agency-submitted Space Allocation Worksheets (SAWs) to determine if the space requirements are consistent with DMS space standards for typical office space;
- Determines if FFP space is available and, if so, is the most fiscally prudent and/or operationally efficient option for an agency;
- Reviews and approves lease documents prepared by the agencies to validate compliance with rules and statutes;
- Reviews any agency recommended modification to standard lease forms to determine if such changes are in compliance with state law and meet the state's leasing objectives;
- Confirms that lease actions are within acceptable market rates , and
- Determines whether the lease space meets statutory requirements for energy efficiency.

Other variables and decision points that are typically decided by agencies include:

- Deciding whether to implement any consolidation and/or co-location either within the agency or with other agencies;
- Determining geographic boundaries for procurements of new leased space that impacts the number of qualified bidders;
- Determining the preferred lease action such as whether a lease should be competitively procured or renewed;
- Developing their own build-out specifications that become direct costs in the form of amortized costs in the rental rate;
- Maintaining responsibility/authority for all negotiations with landlords; and
- Determining whether to use one of the state's tenant brokers or not.

Considering the potential benefits of a shared services model, and without requiring any organizational changes effecting state agencies, DMS is pursuing a phased implementation of shared leasing services delivery that will start with a hybrid ’matrix’ of service providers, including DMS, the tenant brokers, and agency subject matter experts. The initial steps for the phased approach will pave the way for future growth and creation of shared leasing services delivery.

Strategies

1. Phased Implementation

A key element in the DMS strategy for achieving leasing program efficiencies is moving incrementally toward a shared services model. The initial phase will be characterized by increased participation and reliance on real estate subject matter experts from state agencies, as well as the private sector. Many agencies’ leasing representatives have extensive institutional knowledge related to their agency needs and the leasing process. DMS will establish leasing work groups as the first step in moving toward a model with shared service delivery.

These work groups will be chartered by DMS with members from the top performers within agency lease management teams and the state’s tenant brokers. They will engage stakeholders in establishing the governance structure, standards, and processes needed for creating a shared understanding and responsibility for improving how the state manages its real estate portfolio and paving the way toward truly shared leasing services delivery. They will be chartered as limited-duration, task-specific groups of experts. The leasing work groups will be given clearly defined tasks with objectives that are specific, measurable, achievable, and realistic with time bounds. DMS identified an initial slate of topics for the leasing work groups to address in helping to build the foundations for a phased implementation of Shared Leasing Services Delivery. The initial round of leasing work groups will address the topics identified in Table 5.

Table 5: Leasing Work Groups Topics for Collaborative Development of Standards and Best Practices

Work Group Subject Topic	Expected Completion	Description of activities and outputs
Standardize Work Space	June 2012	• Examine state agency space needs by program and develop space standards by position for common back office operations and service center storefronts • Revise SAWs to meet the current 180 SF/FTE benchmark • Consider developing separate SAWs that are program specific and require all agencies to adhere to the new statewide standards without exception • Consider impacts of ’alternative workplace strategies’ such as telecommuting and hoteling
Streamline Procurement Process	June 2012	• Analyze current procurement processes, review upcoming lease expirations, and develop procedures to support reducing the current threshold of 5,000 SF to 2,000 SF
Consolidate or co-locate agencies	June 2012	• Identify opportunities to consolidate smaller leases and co-locate multiple agencies and protocol to implement

Work Group Subject Topic	Expected Completion	Description of activities and outputs
Optimize State-Owned Buildings	July 2012	• Identify backfill candidates for vacant space • Evaluate long-term cost savings that could be achieved through re-stacking to increase density and further reduce the state's private lease portfolio
Service Level Agreements (SLA)	March 2012	• Develop SLA templates that detail the activities required from the tenant brokers, management role of DMS, and create performance measures
Refine Business Process	August 2012	• Improve and update the existing Request for Space Needs (RSN) process to encourage use of competitive bids and develop a more portfolio wide view • Define Tenant Improvement processes; Renovation vs. Remodeling
Identify Required Rule or Statutory Changes	August 2012	• Refine statutory requirements and develop administrative rules to improve business processes

The outputs from the first leasing work groups should be available starting in the third quarter of Fiscal Year 2011-12, but not later than June 30, 2013. After the initial outputs are available, the basic processes for how collaboration and shared services will operate and potentially be incorporated into a larger leasing and real estate portfolio management framework will be well understood. As the needs are identified, additional work groups may be chartered by DMS.

Implementation of a phased 'Shared Services' will promote the desired portfolio wide perspective. Agency leasing personnel would continue their lead role in meeting their agency's real estate needs. The processes will foster a heavy reliance on new standards and practices, and assistance from tenant brokers to enhance the focus on meeting each agency's unique space needs while at the same time considering portfolio wide opportunities and impacts. This will include an increased focus on the technical support provided by the tenant brokers and direction from DMS to each agency regarding best practices for real estate management strategies. This approach requires agency use of tenant brokers, which under current law is optional and at the discretion of agency leadership.

The development and implementation of SLAs between state agencies and DMS will help define roles and responsibilities with clear performance measures for DMS and agencies. Strong performance measures will also be enforced for the tenant brokers' efforts through the existing and subsequent tenant broker contracts. This clear understanding of roles and responsibilities all focused on both individual agency needs and the portfolio as a whole drives this matrix of service providers creating a more comprehensive real estate strategy for the entire state.

DMS will begin holding bi-monthly workshops with all agency leasing liaisons to review current business processes, anticipated reorganizations that impact vacancies to state-owned space, and the progress of other legislative priorities.

E. Additional Program Refinements and Integration

Overview of Initiatives

1. Integrated Leasing Program Guidance & Policy

DMS is in the process of developing updated guidance to help redefine and enable more cost effective lease management operations in state agencies. DMS is also actively seeking opportunities to ensure the needs of the state's leasing and real estate portfolio management are addressed and integrated whenever practical within other business processes and program guidance. Some of the current initiatives that are either underway or in the planning stages include:

- An update to the Leasing Manual used by the agencies' leasing liaisons,
- Development of new building specific Tenant User Guides for the FFP buildings,
- Charting a number of subject specific Leasing Work Groups to engage agency and industry leasing subject matter experts in exploring alternatives and defining standards for more collaborative and efficient leasing operations,
- Publishing the standards and procedures that are the planned outputs of the various Leasing Work Groups, and
- Coordinating with the Governor's Office of Policy and Budget to refine and update the annual Legislative Budget Request (LBR) Instructions section that deals with the Capital Improvement Plan (CIP) reporting requirements. The manual schedule in the LBR (e.g., the CIP – A, Leased Space – Current Usage and Projections) should be updated to reflect and compliment other current leasing data collect requirements.

2. Rule Making

A number of recent changes in program directions and statues make it necessary to revise rules that govern the state's leasing activities. These include the requirements in Chapter 2010-280, Laws of Florida (Senate Bill 1516), which drove the establishment of the new FL-SOLARIS at the Department of Environmental Protection (DEP) that will soon serve as the inventory of state-owned and leased facilities. Below are the topics that DMS plans to address in rule making during Calendar Year 2012.

- Refine the process for notifying DMS of changes in needs for operating spaces,
- Update the process for solicitation and procurement of leased spaces,
- Update the annual lease data collection/validation process,
- Refinement of definitions of and measurements for gross, core, and net leasable space types, and
- Glitch and general clean-up of current rules.

3. <u>Proposed Programs Changes Requiring Supporting Legislation</u>

Refinements to help establish a Real Estate Portfolio Management Framework

DMS is seeking to clarify its authority to have a more proactive role in managing the state's real estate portfolio and to increase DMS' authority over all leases in excess of 2,000 SF in privately owned space. Proposed changes would allow DMS to direct other agencies into state-owned facilities (both FFP and agency-owned) from private leases, to direct co-location of agency space, and to better use the tenant broker contracts. In addition, DMS seeks to realign reporting dates and requirements of the Master Leasing Report and Strategic/Five Year Leasing Plan with agency leasing reports in order to provide timely leasing information to the Legislature and other stakeholders.

Section 216.0153, Florida Statutes, directs state agencies to report all state-owned real estate, giving DMS a more complete purview into the state's assets. Given this new tool, statewide strategic management of the state's real estate portfolio must be in place to ensure the best fiscal outcome for the state. It is imperative to allow DMS to make stronger recommendations as to the use of state-owned and privately leased office space when it is in the best interest of the state.

These proposed changes will have no fiscal impact to operational costs, but they will:

- Line up reporting dates and requirements for the Master Leasing Report and Strategic/Five Year Leasing Plan with other agency reports,
- Clarify DMS' authority to more proactively manage the state's real estate portfolio, and
- Increase use of tenant broker services.

At present, the state uses a partially decentralized leasing model.

- State agencies are responsible for identifying their space needs and negotiating with landlords. This process is initiated by an RSN from agencies to DMS.
- DMS is responsible for overseeing the process and approving all lease agreements.
- Agencies must use standard forms provided by DMS that are intended to ensure space requirements are calculated consistently and that lease terms contain statutorily required provisions.
- Leases under 5,000 SF must obtain three documented quotes but are not competitively procured.
- Leases over 5,000 SF must be procured competitively according to statute.
- Agencies may not lease privately owned space when FFP space is available in the same geographic area, unless DMS approves the request with an explanation explaining why state-owned space is not suitable.

Intent of the proposed language changes is to provide the following:

- Agency leases for 2,000 SF or more of privately owned space would be competitively procured, increasing DMS oversight over these smaller leases.
- DMS would have increased authority to specifically direct other agencies into state-owned space (FFP or agency-owned) when it is in the best interest of the state.
- By June 30 of each year, agencies will now report vacant and underutilized space to DMS and will notify DMS of significant changes to the occupancy of agency-owned state space.
- There would be improved processes and procedures through administrative rule changes.

- Better leveraging of the services and expertise of the state’s tenant broker contract program.
- Re-align reporting deadlines for the Master Leasing Report and Strategic/Five Year Leasing Plan with agency leasing reports.

Clarification on Duplicative Facility Database Requirements

DMS would like to remove a duplicative requirement for it to maintain a database of state-owned facilities now that DEP is required to create and administer a comprehensive database of all state-owned real property, as required in section 216.0153, Florida Statutes.

DEP is required to create a comprehensive database of all state-owned real property. Section 216.0153 (1)(b), Florida Statutes, states: “The Division of State Lands in the Department of Environmental Protection shall be the statewide custodian of the real property information and shall be accountable for its accuracy”.

Because DEP has this requirement, there is no longer a need for DMS to maintain a separate database of only state-owned facilities.

II. Conclusion

Comprehensive space management will achieve an appropriate mix of state-owned and leased space by fully maximizing occupancy of owned space (FFP or agency-owned) for the State of Florida. Executing a leasing strategy that aligns portfolio needs with budget constraints could reduce costs associated with private leased space, as well as capital and operating expenses through occupancy solutions that reduce the number of SF dedicated to each FTE. Adopted as a comprehensive approach, DMS anticipates the strategies identified herein will allow the state to realize significant cost savings over the next five years.

Defining and adopting a clear governance model that engages all stakeholders will provide the ongoing structure and guidance all agencies need when procuring leased space. DMS, working with the state’s tenant brokers, will continue to identify industry best practices so the State of Florida can continue its evolution as a leader in public real estate management.

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Appendix I:
Prioritized Leases for Potential Florida Facility Pool Building Backfill by Market Area

Jacksonville Market Area	Gross SQ.FT.	Net maintained SQ. FT.	Total Net Leasable SQ.FT.	Total Leased Space	% Occupancy	Build Month	Build Year	County/ Market	City	Zip	Approx. age of Building	Vacant Ofc Space
Jacksonville Regional Service Center (Buildings A & B)	113,000	106,704	96,085	93,855	98%	1	1995	Duval	Jacksonville	32209	16	2,230
	79,590	74,853	63,814	51,840	81%	1	1995	Duval	Jacksonville	32209	16	11,974
												14,204

Candidate Prioritization	Lease Type	Lease Number	Agency	Facility City	Zip Code	Space Type	Square Footage	FY Grouping - Lease End	Rate / SF	Annual Cost	Market Rate / SF	Service Type	FTE	SF / FTE
	3	**Tally/Total of Candidate Prioritization A** Leases					**14,748**			**$323,421**			**58**	
A	Private	6400347	DOH	Jacksonville	32210	Office	3,375	FY 2015-16	$27.36	$92,340	$16.18	Full	13	260
A	Private	7600515	HSMV	Jacksonville	32218	Office	3,398	FY 2014-15	$20.69	$70,305	N/A *1	Full	12	283
A	Private	4800771	DOE	Jacksonville	32210	Office	7,975	FY 2012-13	$20.16	$160,776	N/A	Full	33	242
	1	**Tally/Total of Candidate Prioritization B** Leases					**3,374**			**$65,793**			**279**	
B	Private	4800805	DOE	Jacksonville	32218	Office	3,374	FY 2014-15	$19.50	$65,793	$16.18	Full	12	281
	1	**Tally/Total of Candidate Prioritization C** Leases					**4,920**			**$73,554**			**262**	
C	Private	6400241	DOH	Jacksonville	32216	Office	4,920	FY 2015-16	$14.95	$73,554	N/A *1	None	17	289
	4	**Tally/total of candidate prioritization D leases**					**36,869**			**$580,468**			**207**	
D	Private	6400114	DOH	Jacksonville	32207	Office	751		$17.00	$12,767	$16.92	Full	3	250
D	Private	4800556	DOE	Jacksonville	32207	Office	6,359	FY 2012-13	$17.00	$108,103	$16.92	Full	32	199
D	Private	6400222	DOH	Jacksonville	32207	Office	26,055		$15.50	$403,853	$25.47	Full	155	187
D	Private	4800781	DOE	Jacksonville	32207	Office	3,704	FY 2014-15	$15.05	$55,745	$18.10	Full	17	218

Tampa Bay Market Area			Gross SQ.FT.	Net maintained SQ. FT.	Total Net Leasable SQ.FT.	Total Leased Space	% Occupancy	Build Month	Build Year	County/ Market	City	Zip	Approx. age of Building	Vacant Ofc Space
Grizzle Building			153,372	146,086	125,503	95,379	76%	12	1991	Pinellas	Largo	33778	20	**30,124**
Candidate Prioritization	**Lease Type**	**Lease Number**	**Agency**	**Facility City**	**Zip Code**	**Space Type**	**Square Footage**	**FY Grouping - Lease End**	**Rate / SF**	**Annual Cost**	**Market Rate / SF**	**Service Type**	**FTE**	**SF / FTE**
	3	**Tally/Total**	**of Candidate Prioritization A Leases**				**26,741**			**$719,105**			**97**	
A	Private	4100114	DLA	St. Petersburg	33701	Office	18795	FY 2013-14	$29.00	$545,055	$17.38	Full	64	293.672
A	Private	4800743	DOE	St. Petersburg	33702	Office	5488	FY 2013-14	$19.98	$109,650	$20.48	Full	23	238.609
A	Private	7600423	HSMV	Clearwater	33762	Office	2458	FY 2012-13	$26.20	$64,400	$25.47	Full	10	245.8
	4	**Tally/Total**	**Of Candidate Prioritization B Leases**				**63,260**			**$1,454,074**			**272**	
B	Private	7300310	DOR	Clearwater	33764	Office	42556	FY 2018-19	$24.40	$1,038,366	N/A	Full	184	231.283
B	Private	6400356	DOH	Pinellas Park	33781	Office	16182	FY 2021-22	$20.17	$326,391	$25.47	No Utilities	76	212.921
B	Private	6400225	DOH	St. Petersburg	33702	Office	2632	FY 2013-14	$20.60	$54,219	N/A	Full	9	292.444
B	Private	4800663	DOE	St. Petersburg	33702	Office	1890	FY 2014-15	$18.57	$35,097	N/A	Full	3	630
	2	**Tally/Total**	**Of Candidate Prioritization C Leases**				**7,840**			**$127,811**			**35**	
C	Private	4300147	DFS	St. Petersburg	33702	Office	5469	FY 2013-14	$16.00	$87,504	N/A	Full	24	227.875
C	Private	4800758	DOE	St. Petersburg	33701	Office	2371		$17.00	$40,307	N/A *1	Full	11	215.545

Tampa Bay Market Area	Gross SQ.FT.	Net maintained SQ. FT.	Total Net Leasable SQ.FT.	Total Leased Space	% Occupancy	Build Month	Build Year	County/ Market	City	Zip	Approx. age of Building	Vacant Ofc Space
Trammel Building	156,977	150,663	115,606	86,951	75%	1	1979	Pinellas	Tampa	33778	32	**28,655**

Candidate Prioritization	Lease Type	Lease Number	Agency	Facility City	Zip Code	Space Type	Square Footage	FY Grouping - Lease End	Rate / SF	Annual Cost	Market Rate / SF	Service Type	FTE	SF / FTE
	6	**Tally/Total**	**of Candidate Prioritization A Leases**				**45,289**			**$976,056**			**156**	
A	Private	6800053	AHCA	Tampa	33607	Office	13739	FY 2012-13	$17.40	$239,059	$8.78	Full	49	280.388
A	Private	7600413	HSMV	Tampa	33610	Office	8000	FY 2016-17	$20.90	$167,200	$16.18	Full	39	205.128
A	Private	7200116	DOAH	Tampa	33602	Office	7788		$24.70	$192,364	$19.85	Full	17	458.118
A	Private	7600466	HSMV	Tampa	33619	Office	7400	FY 2015-16	$23.37	$172,938	$19.85	Full	11	672.727
A	Private	7001015	DOC	Tampa	33612	Office	5237	FY 2012-13	$24.19	$126,683	$16.92	Full	27	193.963
A	Private	6100027	PSC	Tampa	33609	Office	3125		$24.90	$77,813	$16.18	Full	13	240.385
	7	**Tally/Total**	**Of Candidate Prioritization B Leases**				**168,878**			**$3,637,710**			**659**	
B	Private	7300313	DOR	Tampa	33619	Office	62000	FY 2012-13	$21.96	$1,361,520	$25.47	Full	235	263.83
B	Private	9000001	CITIZENS	Tampa	33619	Office	60000	FY 2014-15	$19.51	$1,170,600	$25.47	Full	252	238.095
B	Private	4100113	DLA	Tampa	33607	Office	36541	FY 2012-13	$24.70	$902,563	$25.47	Full	122	299.516
B	Private	6500051	DEA	Tampa	33612	Office	4664		$20.40	$95,146	$20.48	Full	27	172.741
B	Private	4800763	DOE	Tampa	33619	Office	2578		$17.45	$44,986	N/A	Full	10	257.8
B	Private	4800780	DOE	Tampa	33610	Office	1891	FY 2012-13	$21.80	$41,224	N/A	Full	7	270.143
B	Private	6400323	DOH	Tampa	33610	Office	1204		$18.00	$21,672	$25.47	Full	6	200.667
	7	**Tally/Total**	**Of Candidate Prioritization C Leases**				**46,399**			**$911,091**			**215**	
C	Private	6400277	DOH	Tampa	33614	Office	32578	FY 2016-17	$21.70	$706,943	$8.78	Full	144	226.236
C	Private	1140068	AUD GEN	Tampa	33607	Office	4000	FY 2016-17	$17.18	$68,720	$25.47	Full	19	210.526
C	Private	5500358	DOT	Tampa	33619	Office	3600	FY 2015-16	$12.84	$46,224	$19.85	Full	14	257.143
C	Private	5500354	DOT	Tampa	33610	Office	3043	FY 2014-15	$16.25	$49,449	$25.47	Full	23	132.304

Candidate Prioritization	Lease Type	Lease Number	Agency	Facility City	Zip Code	Space Type	Square Footage	FY Grouping - Lease End	Rate / SF	Annual Cost	Market Rate / SF	Service Type	FTE	SF / FTE
C	Private	4200383	AGR	Tampa	33610	Office	1998		$15.98	$31,928	N/A *1	Full	6	333
C	Private	6400374	DOH	Tampa	33606	Office	593	FY 2013-14	$5.40	$3,202	N/A *1	Full	3	197.667
C	Private	4200041	AGR	Tampa	33621	Office	587	FY 2012-13	$7.88	$4,626	N/A *1	None	6	97.8333
	11	**Tally/Total Of Candidate Prioritization D Leases**					**66,347**			**$1,210,416**			**467**	
D	Private	5500357	DOT	Tampa	33610	Office	3730	FY 2015-16	$14.50	$54,085	N/A	Full	10	373
D (child srvcs)	Private	8000361	DJJ	Tampa	33610	Office	16925	FY 2014-15	$17.75	$300,419	$25.47	Full	238	71.1134
D (child srvcs)	Private	8000119	DJJ	Tampa	33603	Office	12434	FY 2012-13	$17.18	$213,616	$16.18	Full	57	218.14
D (child srvcs)	Private	8000347	DJJ	Tampa	33619	Office	1798		$19.66	$35,349	$16.92	Full	9	199.778
D (probation ofc)	Private	7001029	DOC	Tampa	33609	Office	5139	FY 2012-13	$17.96	$92,296	$25.47	Full	27	190.333
D (probation ofc)	Private	7001043	DOC	Tampa	33617	Office	5093	FY 2014-15	$16.07	$81,845	$20.48	Full	26	195.885
D (probation ofc)	Private	7001040	DOC	Gibsonton	33534	Office	4870	FY 2016-17	$20.65	$100,566	$19.85	Full	23	211.739
D (probation ofc)	Private	7000802	DOC	Tampa	33614	Office	4430	FY 2013-14	$19.68	$87,182	$18.50	Full	23	192.609
D (probation ofc)	Private	7001044	DOC	Tampa	33617	Office	4371	FY 2016-17	$16.39	$71,641	$20.48	Full	21	208.143
D (probation ofc)	Private	7000815	DOC	Tampa	33614	Office	4190	FY 2014-15	$19.29	$80,825	$18.50	Full	20	209.5
D (probation ofc)	Private	7001054	DOC	Belle Glade	33534	Office	3367	FY 2016-17	$27.50	$92,593	$18.10	Full	13	259

Ft Myers Market Area	Gross SQ.FT.	Net maintained SQ. FT.	Total Net Leasable SQ.FT.	Total Leased Space	% Occupancy	Build Month	Build Year	County/ Market	City	Zip	Approx. age of Building	Vacant Ofc Space
Ft Myers Regional Service Center	235,280	207,326	178,941	156,100	87%	1	1982	Lee	Ft. Myers	33901	29	**22,841**

Candidate Prioritization	Lease Type	Lease Number	Agency	Facility City	Zip Code	Space Type	Square Footage	FY Grouping - Lease End	Rate / SF	Annual Cost	Market Rate / SF	Service Type	FTE - Column AH	SF / FTE
	4	**Tally/Total**	**of Candidate Prioritization A Leases**				**17,143**			**$516,406**			**69**	
A	Private	4800799	DOE	Ft. Myers	33907	Office	4999	FY 2014-15	$24.06	$120,276	$16.18	Full	18	277.722
A	Private	7000986	DOC	Ft. Myers	33901	Office	4958	FY 2014-15	$48.83	$242,099	$18.10	Full	25	198.32
A	Private	6500046	DEA	Ft. Myers	33907	Office	4170	FY 2015-16	$19.50	$81,315	$16.92	Full	18	231.667
A	Private	4800791	DOE	Ft. Myers	33907	Office	3016	FY 2013-14	$24.11	$72,716	$16.18	Full	8	377
	5	**Tally/Total**	**Of Candidate Prioritization B Leases**				**10,081**			**$178,916**			**34**	
B	Private	7600485	HSMV	Ft. Myers	33901	Office	3493	FY 2015-16	$21.67	$75,693	$25.47	Full	10	349.3
B	Private	4800684	DOE	Hollywood	33901	Office	2338	MTM	$8.08	$18,891	$20.48	Full	10	233.8
B	Private	4800814	DOE	Cape Coral	33990	Office	2000	FY 2015-16	$21.50	$43,000	$19.85	Full	6	333.333
B	Private	7000570	DOC	Ft. Myers	33916	Office	1850	FY 2015-16	$18.00	$33,300	$25.47	Full	6	308.333
B	Private	4800772	DOE	Ft. Myers	33916	Office	400	FY 2013-14	$20.08	$8,032	$25.47	Full	2	200
	2	**Tally/Total**	**Of Candidate Prioritization C Leases**				**16,158**			**$229,234**			**58**	
C	Private	7300343	DOR	Ft. Myers	33916	Office	13136	FY 2015-16	$14.00	$183,904	N/A *1	Full	45	291.911
C	Private	4800613	DOE	Ft. Myers	33916	Office	3022		$15.00	$45,330	N/A *1	Full	13	232.462
	6	**Tally/Total**	**Of Candidate Prioritization D Leases**				**19,183**			**$481,000**			**64**	
D (child srvcs)	Private	8000354	DJJ	Ft. Myers	33901	Office	4174	FY 2012-13	$27.28	$113,867	$25.47	Full	13	321.077
D (child srvcs)	Private	8000340	DJJ	Cape Coral	33904	Office	2648	FY 2012-13	$30.05	$79,572	N/A *1	Full	13	203.692
D (child srvcs)	Private	8000327	DJJ	Ft. Myers	33919	Office	2325		$17.81	$41,408	$25.47	Full	10	232.5
D (probation ofc)	Private	4100118	DLA	Ft. Myers	33901	Office	1788	FY 2014-15	$18.35	$32,810	$25.47	Full	11	162.545

Candidate Prioritization	Lease Type	Lease Number	Agency	Facility City	Zip Code	Space Type	Square Footage	FY Grouping - Lease End	Rate / SF	Annual Cost	Market Rate / SF	Service Type	FTE	SF / FTE
D1	Private	7200154	DOAH	Ft. Myers	33966	Office	7097	FY 2019-20	$26.54	$188,354	$25.47	Full	11	645.182
D1	Private	1140069	AUD GEN	Ft. Myers	33907	Office	1151	FY 2012-13	$21.71	$24,988	$15.08	Full	6	191.833

Orlando Market Area	Gross SQ.FT.	Net maintained SQ. FT.	Total Net Leasable SQ.FT.	Total Leased Space	% Occupancy	Build Month	Build Year	County/ Market	City	Zip	Approx. age of Building	Vacant Ofc Space
Hurston Building (North & South Towers)	160,650	151,085	115,230	87,234	76%	12	1977	Orange	Orlando	32801	34	27,996
	228,339	200,001	144,841	129,789	90%	12	1990	Orange	Orlando	32801	21	15,052
												43,048

Candidate Prioritization	Lease Type	Lease Number	Agency	Facility City	Zip Code	Space Type	Square Footage	FY Grouping - Lease End	Rate / SF	Annual Cost	Market Rate / SF	Service Type	FTE	SF / FTE
	3	**Tally/Total of Candidate Prioritization A' Leases**					**51,484**			**$1,134,317**			**301**	
A'	Private	5902912	DCF	Orlando	32808	Office	26,487	FY 2012-13	$19.43	$514,642	$16.18	Full	224	135
A'	Private	7300252	DOR	Maitland	32751	Office	20,798	FY 2014-15	$25.22	$524,526	$16.18	Full	65	320
A'	Private	5902918	DCF	Orlando	32807	Office	2,320		$23.64	$54,845	$19.85	Full	12	193
A	Private	7001017	DOC	Casselberry	32707	Office	5,709	FY 2012-13	$20.00	$114,180	$19.85	Full	26	220
A	Private	7600498	HSMV	Orlando	32817	Office	4,975	FY 2013-14	$34.75	$172,881	$19.85	None	18	276
	11	**Tally/Total Of Candidate Prioritization B Leases**					**703,242**			**$14,526,121**			**3,211**	
B	Private	3700116	DEP	Orlando	32802	Office	39,915	FY 2012-13	$21.02	$839,013	$25.47	Full	170	235
B	Private	6400113	DOH	Orlando	32803	Office	34,787	FY 2014-15	$19.61	$682,173	$25.47	Full	146	238
B	Private	4800553	DOE	Orlando	32803	Office	14,685	FY 2013-14	$19.57	$287,385	N/A *1	Full	53	277
B	Private	7001032	DOC	Orlando	32808	Office	7,834	FY 2015-16	$20.00	$156,680	N/A *1	Full	37	212
B	Private	4300120	DFS	Orlando	32803	Office	6,383	FY 2012-13	$20.48	$130,724	N/A *1	Full	30	213
B	Private	7000964	DOC	Orlando	32805	Office	6,074	FY 2016-17	$17.60	$106,902	N/A *1	Full	33	184
B	Private	7000963	DOC	Orlando	32805	Office	5,670	FY 2016-17	$17.60	$99,792	N/A *1	Full	30	189
B	Private	7001008	DOC	Orlando	32808	Office	5,347	FY 2015-16	$20.08	$107,368	N/A *1	Full	26	206
B	Private	7000995	DOC	Orlando	32808	Office	5,193	FY 2015-16	$20.08	$104,275	N/A *1	Full	25	208
B	Private	7001060	DOC	Orlando	32805	Office	5,082	FY 2014-15	$17.96	$91,273	N/A *1	Full	23	221
B	Private	6500055	DEA	Orlando	32803	Office	4,999	FY 2013-14	$17.46	$87,283	N/A	Full	29	172
	4	**Tally/Total Of Candidate Prioritization C Leases**					**71,377**			**$1,295,368**			**443**	
C	Private	7500067	AWI	Orlando	32809	Office	46,886	FY 2015-16	$16.15	$757,209	$25.47	Full	356	132
C	Private	4100102	DLA	Orlando	32801	Office	17,557		$24.25	$425,757	$16.92	Full	68	258
C	Private	7700211	FWCC	Orlando	32812	Office	4,642	FY 2014-15	$15.06	$69,909	$17.38	Full	6	774
C	Private	1140066	AUD GEN	Maitland	32751	Office	2,292	FY 2014-15	$18.54	$42,494	N/A	Full	13	176

	4 Tally/Total Of Candidate Prioritization D Leases						**71,140**			**$1,501,621**			**184**	
D (child srvcs)	Private	6400245	DOH	Orlando	32809	Office	23,158	FY 2020-21	$25.68	$594,697	$20.48	Full	42	551
D (child srvcs)	Private	5903018	DCF	Orlando	32818	Office	8,991	FY 2014-15	$25.94	$233,227	$25.47	Full	70	128
D (child srvcs)	Private	5902891	DCF	Orlando	32805	Office	800		$21.97	$17,576	$25.47	Full	10	80
	Public	9737940	DOR	Orlando	32801	Office	38,191	MTM	$17.18	$656,121	$14.92	Full	62	616

Appendix II:
Strategy for Initial Phased Implementation of Shared Leasing Services Delivery

Overview of Objective

The state currently uses a decentralized leasing model that limits DMS' ability to fully implement strategic recommendations for cost savings. After DMS review of several service delivery alternatives, DMS determined that the current decentralized process is not a long-term viable option because it does not achieve optimal portfolio-wide savings.

The first three delivery models in the table below present unique challenges that require statutory changes to implement. Considering the potential benefits of a Shared Services Model, and without requiring any organizational changes effecting state agencies, DMS proposes to adapt pertinent features from these models to create a hybrid "matrix reporting" approach.

Table 1: Comparison of Delivery Models

	Decentralized	Centralized	Shared Services	Hybrid Matrixed Services
Center of Service Activities	Processes and procurements handled autonomously by agencies	Consolidation of functions within a single agency	Stand alone organization	Consolidation of control with distributed resources
Processes and Procedures	Unique agency processes	Processes standardized to meet goals of central organization	Processes standardized to support common IT system, efficiency and customer service	Processes standardized to support common IT system, efficiency and customer service
Enabling Technology	Different systems per agency	One IT system/platform	Based on a shared access to a common IT system/platform	Based on a shared access to a common IT system/platform
Customer Service	Focus on responsiveness	Focus on enterprise control, not the user	Focus on customer service	Focus on alignment of user services with enterprise goals
	Work originates in agency	Work originates from the center	Work originates from the customer	Strategy is centralized and execution is distributed with customers

	Decentralized	Centralized	Shared Services	Hybrid Matrixed Services
Management/ Coordination Mechanisms	No service level agreements (SLA)	Direct control; no SLA needed	Managed service delivery through clear SLA	Central coordination and controls with focus on meeting SLA agreements
Achieving Enterprise Goals	Non-performance based; requires significant oversight to achieve enterprise goals	Tightly controlled target-driven operations to meet enterprise goals	Performance-driven culture to achieve shared goals; answering to a single central authority	Performance-driven culture to achieve shared goals; assessment/ management of stakeholder performance in meeting goals

Current Process

Sections 255.249 and 255.25, Florida Statutes, authorize varying levels of DMS and agency involvement for each lease action based largely on the size of a particular lease creating a decentralized approach. Currently, private leases under 5,000 SF do not require procurement through competitive solicitation.

For leases 5,000 SF or larger, DMS has authority related to management and procurement of agency leased space. Typically DMS is involved in the following areas:

- Reviews and approves agency-submitted Space Allocation Worksheets (SAWs) to determine if the space requirements are consistent with DMS space standards for typical office space (see below)
- Determines if DMS-managed space is available and, if so, is the most fiscally prudent and/or operationally efficient option for an agency
- Reviews and approves lease documents prepared by the agencies to validate compliance with rules and statutes
- Reviews any agency-recommended modification to standard lease forms to determine if such changes are in compliance with state law and meet the state's leasing objectives
- Confirms that lease actions are within acceptable market rates
- Determines whether the lease space meets statutory requirements for energy efficiency

Other variables and decision points that are typically decided by agencies include:

- Decides whether to implement any consolidation and/or co-location either within the agency or with other agencies

- Determines geographic boundaries for procurements of new leased space which impacts the number of qualified bidders
- Determines the preferred lease action such as whether a lease should be competitively procured or renewed
- Develops build out specifications that become direct costs in the form of amortized costs in the rental rate
- Responsible for all negotiations with landlords
- Determines use of a tenant broker

Strategy: Initial Development and Implementation of Shared Leasing Services Delivery will be done via a Matrix Organization

The first step in moving toward a shared service delivery model is to establish work groups that develop the framework and governance processes for creating a shared understanding and responsibility for improving how the state manages its' real estate portfolio.

A key element in DMS' strategies for achieving leasing program efficiencies is moving to increased participation and reliance on real estate subject matter experts from state agencies, as well as the private sector. Many agency leasing representatives have extensive institutional knowledge related to their agency needs and the leasing process. The organization of the leasing work groups will be chartered by DMS with members from the top performers within agency lease management teams and the state's tenant brokers.

The initial round of leasing work groups will address the topics identified in the table below.

Table 2: Leasing Work Groups

Work Group Subject Topics	Description of activities and outputs
Standardize Work Space	• Examine state agency space needs by program and develop space standards by position for common back office operations and service center storefronts. • Revise Space Allocation Worksheets (SAW) to meet the current 180 SF/full time equivalent (FTE) benchmark. • Consider developing separate SAWs that are program specific and require all agencies to adhere to the new statewide standards without exception. • Consider impacts of "alternative workplace strategies" such as telecommuting and hoteling
Streamline Procurement Process	• Analyze current procurement processes, review upcoming lease expirations, and consider reducing the current threshold of 5,000 SF to 2,000 SF.

Work Group Subject Topics	Description of activities and outputs
Consolidate or co-locate agencies	• Identify opportunities to consolidate smaller leases and co-locate multiple agencies and protocol to implement
Optimize State-Owned Buildings	• Identify backfill candidates for vacant space • Evaluate long term cost savings that could be achieved through re-stacking to increase density and further reduce the state's private lease portfolio.
Service Level Agreements (SLA)	• Develop SLA templates that detail the activities required from the tenant brokers, management role of DMS, and create performance measures.
Refine Business Process	• Improve and update the existing Request for Space Needs (RSN) process to encourage use of competitive bids and develop a more portfolio wide view • Define Tenant Improvement processes; Renovation vs. Remodeling
Develop Statutory and Rule Changes	• Refine statutory requirements and develop administrative rules to improve business processes
Long Range Planning	• Further development of Capital Improvement Projects and optimization of state owned space • Funding source for tenant improvements

Roles and Responsibilities

DMS, with assistance from the three tenant brokers, will lead the work groups to launch the Leasing Services Matrix Delivery Model. Successful implementation requires cooperative effort and participation from every stakeholder. DMS will develop the outputs and recommendations from each work group into standard best practices and program guidance for statewide implementation.

The RACI Chart (RACI) below identifies high level roles and responsibilities for the work groups using the following criteria:

- **R**esponsible – *the doer;* the individual(s) who actually completes the task. The doer is responsible for action/implementation and doers can share responsibility. The individual with the "R" determines the degree of responsibility.
- **A**ccountable - *"the buck stops here";* the individual ultimately answerable for the activity or decision; includes "yes" or "no" authority and veto power. An action can have only one "A" assigned.
- **C**onsult - *"in the loop";* the individual(s), typically subject matter experts, to be consulted prior to a final decision or action; predetermined need for two-way communication. Requires input from the designated position.
- **I**nform - "*keep in the picture*"; the individual(s) to inform after a decision or action is taken; one-way communication. They may be required to take action as a result of the outcome.

Table 2 is a RACI chart that summarizes activities, functions and tasks of the work groups, and who must do them.

Table 3: RACI Chart for Leasing Work Groups

Functions / *Groups*	DMS	Leasing Work Group Lead	Leasing Work Group Members	Agencies	Tenant Broker Organizations
Administrative Lead and Support Services to WG	*A / R*				*R*
Schedule WG Meetings	*A*	*R*	*C*		*C*
Lead discussion/development of WG on enterprise "Products"	*C*	*A*	*R*		
Agendas for WG Meetings	*A*	*R*	*C*		*I*
Establish Membership for each subject specific WG	*A*	*C*	*C*	*R (nominate)*	*I*
Establish Leads for each subject specific WG	*A*	*C*	*R (nominate)*	*I*	*C*
Draft outputs (standards, templates, etc.) from WG Sessions	*C*	*A*	*R*	*I*	*C*
Approve and Finalize WG Outputs	*A/R*	*C*	*I*		*C*
Vet Final Outputs through Policy Making Process	*A/R*	*C*		*I*	*I*
Establish Membership for each subject specific WG	*A*	*C*	*C*	*R (nominate)*	*I*
Establish Leads for each subject specific WG	*A*	*C*	*R (nominate)*	*I*	*C*
Draft outputs (standards, templates, etc.) from WG Sessions	*C*	*A*	*R*	*I*	*C*
Approve and Finalize WG Outputs	*A/R*	*C*	*I*		*C*
Vet Final Outputs through Policy Making Process	*A/R*	*C*		*I*	*I*

Key attributes of the Shared Services Model that will be incorporated into the hybrid Leasing Services Matrix Delivery Model include the following:

- Tapping the resources of top performing agency lease personnel to further refine and improve business processes
- Clearly defined performance measures between DMS and agencies through the development of a Service Level Agreement (SLA)
- An increased focus on the technical support provided by the state's tenant brokers which under current law is optional and at the discretion of agency leadership

A clear understanding of roles and responsibilities, all focused on both individual agency needs and the entire real estate portfolio drives this matrix creating a more comprehensive real estate strategy.