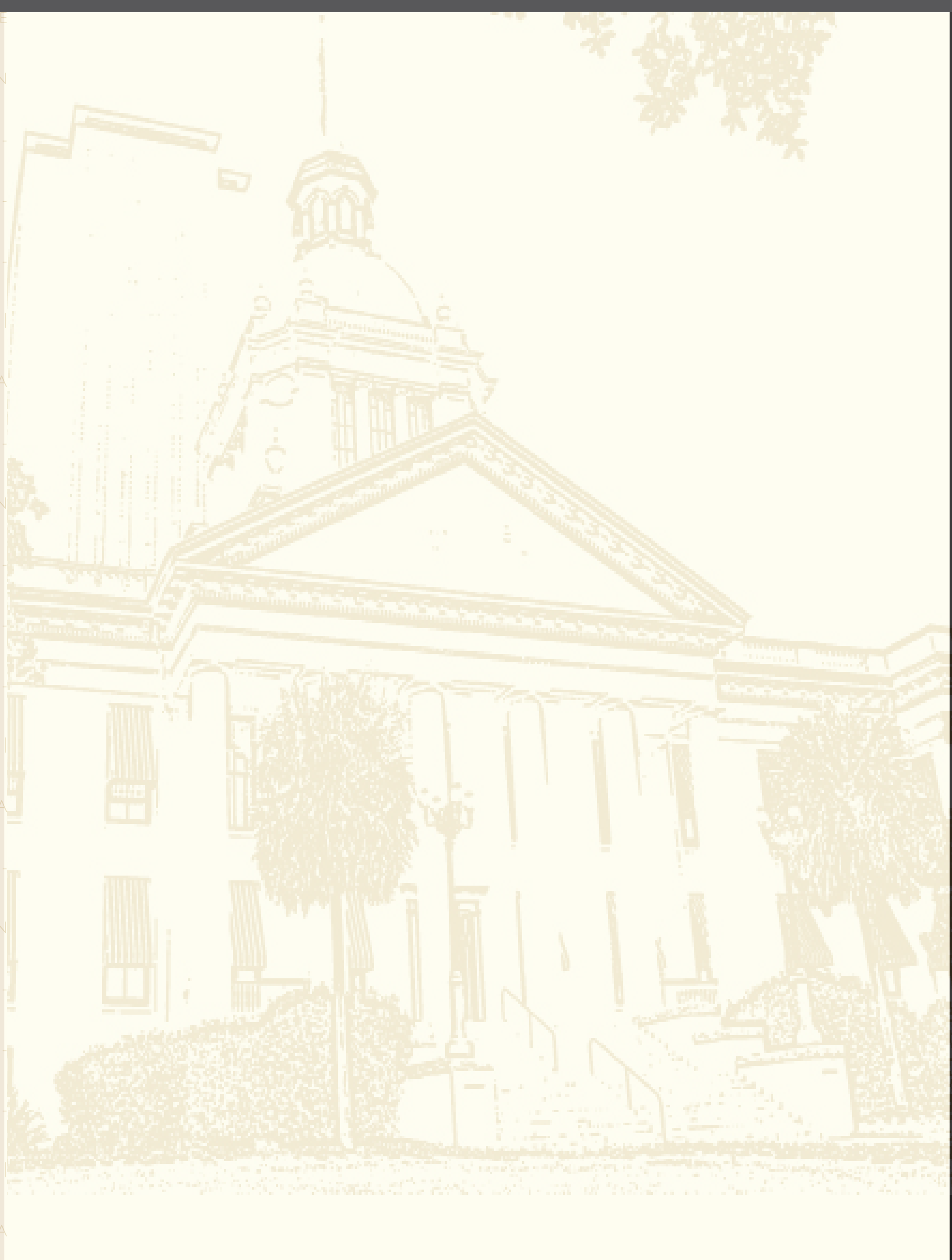
DEPARTMENT OF MANAGEMENT
SERVICES

Rick Scott, Governor
Craig J. Nichols, Secretary

Division of Real Estate Development and Management

2012 Five-Year Strategic Leasing Plan

September 14, 2012



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I. Executive Summary

The 2012 Five-Year Strategic Leasing Plan forecasts space needs for state agencies and identifies opportunities for reducing costs through the consolidation, relocation, reconfiguration, capital investments, and building or acquisition of state-owned space. The scope of the plan covers state-owned and state-leased property over which the Department of Management Services (DMS) has authority. The plan focuses heavily on utilizing availability within the Florida Facilities Pool (Pool) and renegotiating private leases to achieve deeper lease cost savings. This Plan serves as a stand-alone document and as a component of the 2012 Master Leasing Report, addressing the needs as required in paragraphs 255.249(3)(b) and 255.25(4)(c), Florida Statutes.

State of Florida Portfolio

The State of Florida has a decentralized model for ownership, leasing, and operations and management of real estate assets. The State of Florida owns 20,368 facilities, including facilities owned by state agencies, the Florida College System, Statewide Board of Governors, and Water Management Districts. DMS manages 103 facilities in the Florida Facilities Pool and five Federal Surplus Property Facilities, totaling 108 DMS-managed facilities. By total number, DMS manages less than one percent of total state-owned buildings. DMS manages the second largest portfolio in terms of square footage (SF).

The DMS Division of Real Estate Development and Management has statutory oversight for the construction, leasing, and operations of 103 buildings in the Pool and administers the state's lease procurement process. Agency-to-agency leases, outside of those for Pool space, are not under DMS oversight.

Within the Pool, 34 facilities are special purpose, non-revenue producing facilities such as parking structures, central energy plants, monuments, and the Historic Capitol. The Pool also includes 69 revenue-producing facilities, meaning that agencies may lease space in these facilities.

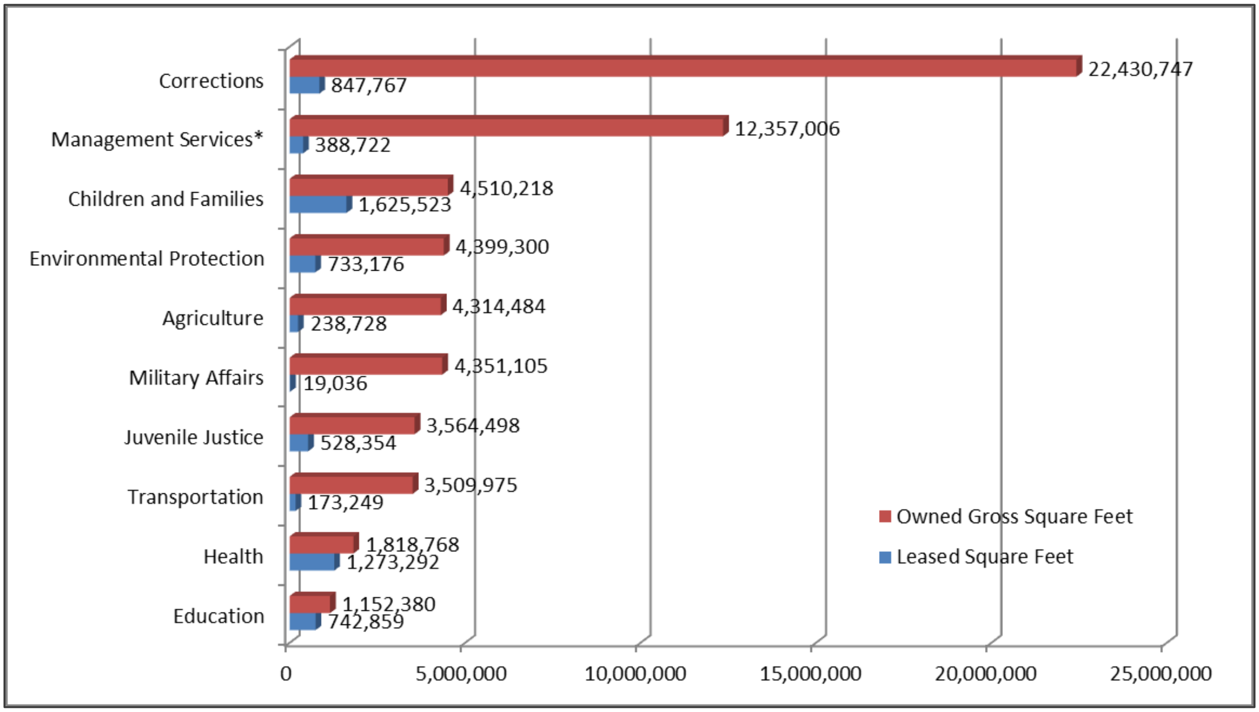
As of June 30, 2012, there are 294 leases with state agencies in the 69 revenue-producing Pool buildings. In addition, agencies have entered into 877 leases with private landlords or federal and local governmental entities, totaling 1,171 leases.

The 2012 Master Leasing Report provides additional information on the state's leased portfolio, including information on leases expiring within the next 24 months (Appendix 1) and a determination of whether or not sufficient state-owned office space within the Pool will be available at lease expiration (Appendix 2).

A full list of all leases can be found on the DMS website at http://bit.ly/REDM-FITS.

Chart 1 captures the ten largest agency Real Estate portfolios. The Department of Corrections manages the most owned square footage. The Department of Children and Families leases the most square footage.

Chart 1 – Top Ten Agencies by Square Footage of Owned and Leased Space



* Of the 388,722 square feet in DMS leased space, 211,933 is Pool space also included in the Owned Gross Square Feet. This includes space leased for entities administratively housed within DMS.

State of Florida Lease Procurement Process

Chapter 255, Florida Statutes, gives DMS statutory authority to manage, operate, and maintain the Florida Facilities Pool and oversight of the state's leasing process. Agencies lease public space from within the Pool, the private sector, and other governmental entities (federal and local). DMS is responsible for reviewing each of these lease types to ensure compliance with statutory requirements. DMS collaborates with state agencies and tenant brokers to identify opportunities for improved lease terms and conditions, including space quality, size, and rate. In this oversight role, DMS is tasked with finding space that meets the operational and business needs of the state, while still delivering the best value for taxpayer dollars. Because the state has a substantial financial investment in state-owned buildings, maintaining high occupancy levels within Pool facilities is a key element of the DMS leasing strategy.

Problem Statement

The state derives the greatest value for its investment in real estate assets when it employs a comprehensive real estate portfolio management strategy. Currently, the State of Florida has a decentralized model for staffing, ownership, and management of owned and leased real estate assets. This results in wide redundancies, differing service delivery methods and differing facility maintenance levels. Agencies divert key personnel and fiscal resources from core mission-responsibilities to manage and support individual real estate portfolios, making space and management-related decisions on a case-by-case basis, leaving no collaborative, state-wide oversight of the real estate portfolio. Individual agencies have a high degree of autonomy over the acquisition and administration of workspaces, but due to diverse agency missions and the lack of a holistic real estate management strategy, the state has been left with a portfolio that varies dramatically in cost, age, location, usage and condition. This disjointed operational model leaves a wide gap in the comprehensive understanding of spend, best practices, and utilization of the state's assets.

The Florida Legislature has placed private, other government, and public leased (Pool) property oversight in a single program within DMS, but the lack of an equally comprehensive framework for the oversight and management of the state's entire owned portfolio makes it difficult for Florida to realize many of the potential benefits from its significant real estate investments.

DMS is the only state agency tasked with facility leasing, operations and maintenance, and construction as part of its core mission. In this role, DMS has primary fiduciary responsibility to provide Pool facilities that meet the various business and operational needs of state agencies at optimal pricing, based on availability. Accordingly, it is the goal of DMS to deliver the best value for taxpayer dollars by maintaining high occupancy levels in Pool buildings whenever possible.

II. Five-Year Strategic Leasing Plan

Agency Space Needs

Many factors impact agency space needs. Business process efficiencies and evolving service delivery needs of the citizens of Florida are changing the way agencies do business. Population migration, workforce reductions, and agency funding also impact how and where an agency operates. Agencies each have unique nuances to their service delivery that can impact current and future space needs that are not easily discernible.

As required in subsection 255.249(3), Florida Statutes, agencies annually communicate to DMS all information regarding agency programs affecting the need for or use of agency space. Agencies are asked to include a clear analysis of the current and future status of the agency's leasing portfolio; the anticipated timing of events to facilitate co-location recommendations; outline the financial costs associated with the recommendations; justification as to why the recommendations are in the best interest of the state; and any statutory, administrative rule or regulatory restrictions that prevent the consolidation of agency programs into the same space.

Information submitted by the agencies provides the foundation data used to identify the opportunities outlined in this report. The data helps DMS to develop backfill scenarios for Pool vacancies, identify co-location opportunities, and prioritize leases with the most potential for lease cost savings. The opportunities proposed in the plan consider agency goals, anticipated next lease actions, and business requirement justifications (business cases) as to why some leases can or cannot be consolidated or co-located.

Opportunities for Cost Reductions through Consolidation, Relocation, Reconfiguration, Capital investment, or Acquisition of State-Owned Space

DMS has identified a series of opportunities to reduce the cost of occupancy and increase the utilization of the state-

Paragraph 255.249(3)(b), Florida Statutes

The department shall develop and implement a strategic leasing plan. The strategic leasing plan shall forecast space needs for all state agencies and identify opportunities for reducing costs through consolidation, relocation, reconfiguration, capital investment, and the building or acquisition of state-owned space.

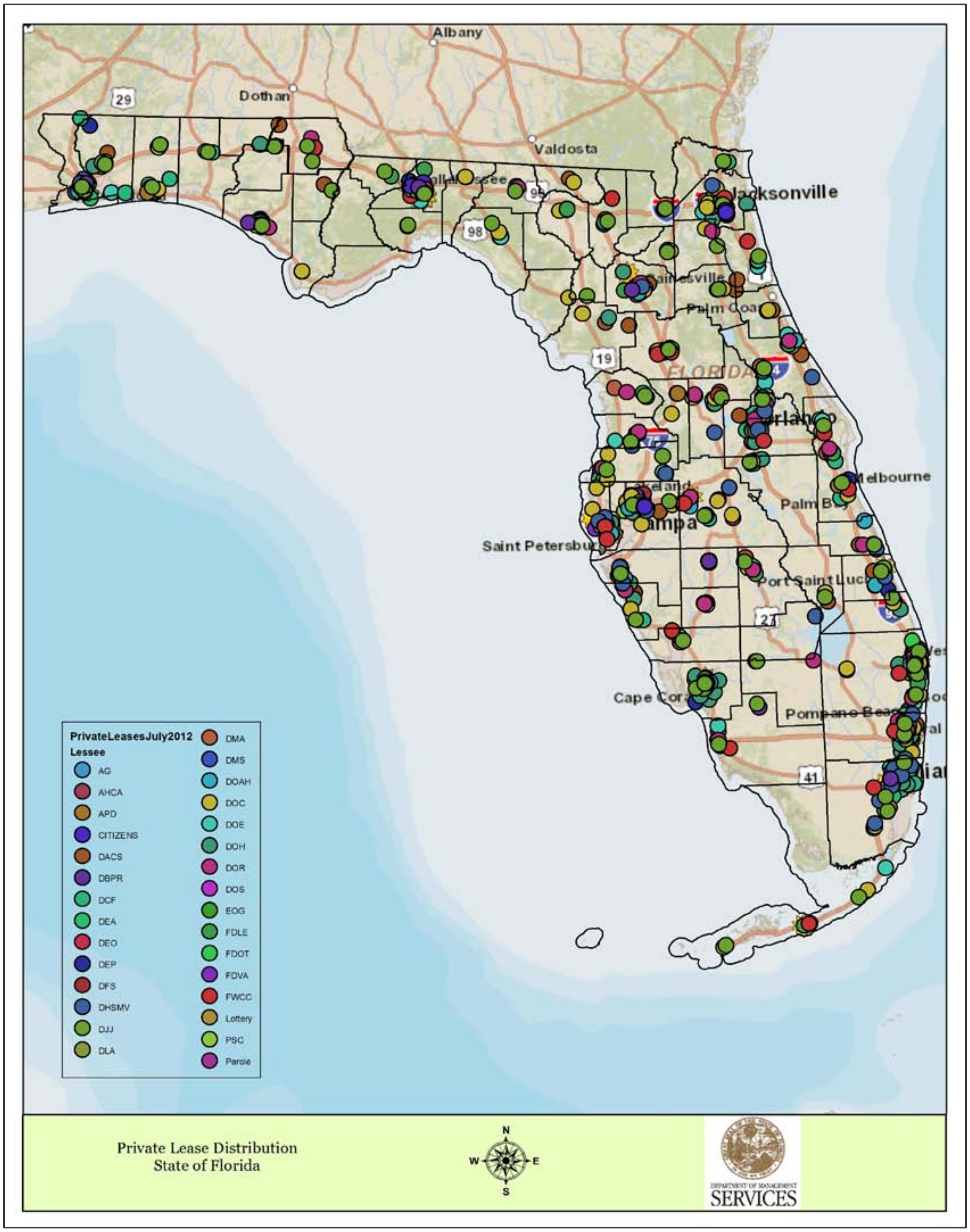
Paragraph 255.25(4)(c), Florida Statutes

Because the state has a substantial financial investment in state-owned buildings, it is legislative policy and intent that when state-owned buildings meet the needs of state agencies, agencies must fully use such buildings before leasing privately owned buildings. By September 15, 2006, the Department of Management Services shall create a 5-year plan for implementing this policy. The department shall update this plan annually, detailing proposed departmental actions to meet the plan's goals, and shall furnish this plan annually as part of the master leasing report.

owned Florida Facilities Pool. These opportunities use current statutory authority and focus on ways to renegotiate, reconfigure, relocate, or consolidate state-occupied space within the Florida Facilities Pool and the state's lease portfolio within other government and private space. The three opportunities include the Lease Renegotiation Effort, Optimization of state-owned space in the Florida Facilities Pool, and Real Estate Optimization.

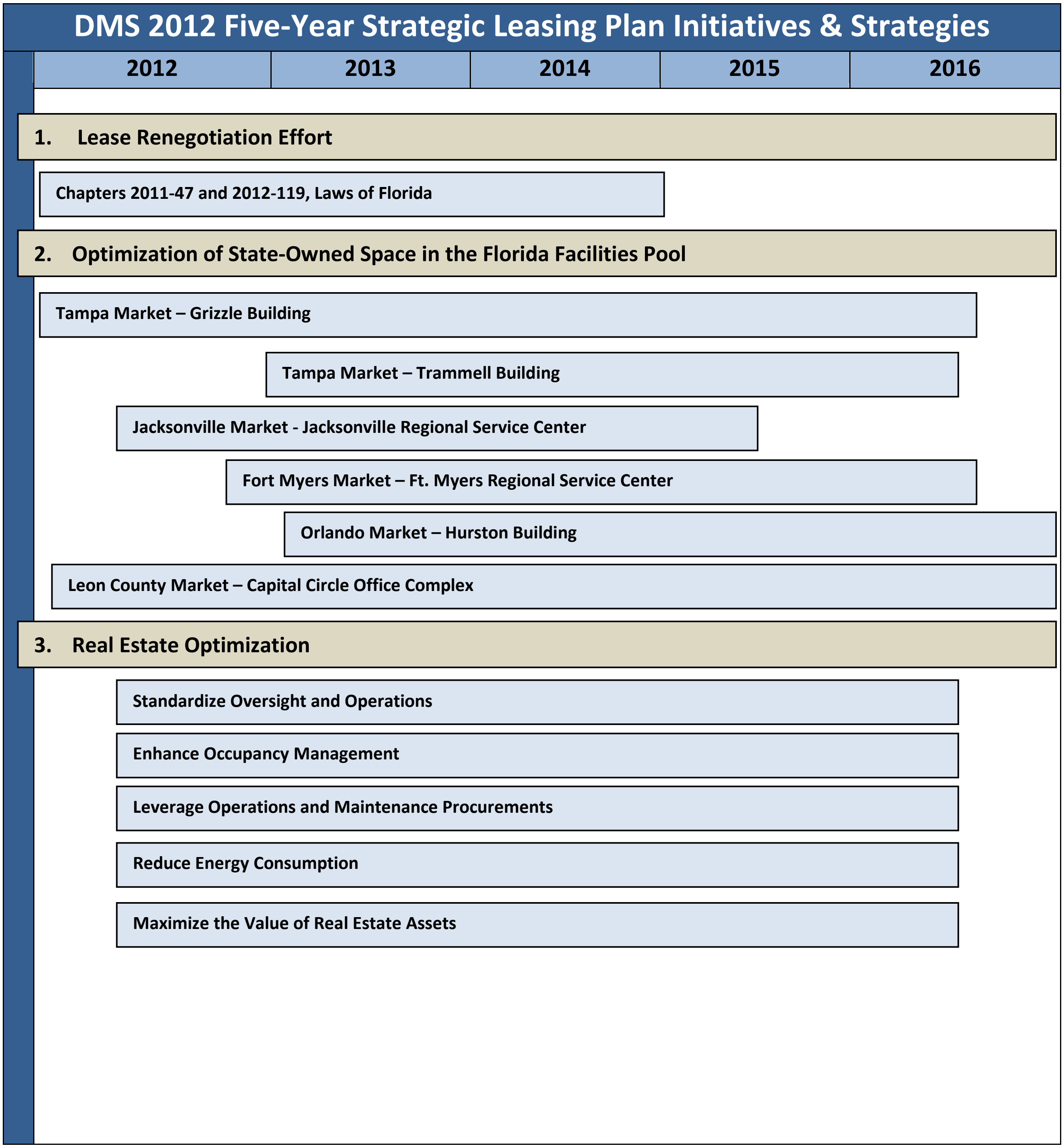
The State of Florida has an expansive portfolio of private leases as seen in Figure 1 below.

Figure 1: Private Lease Distribution within the State of Florida



The DMS 2012 Five-Year Strategic Leasing Plan includes the following initiatives and strategies:

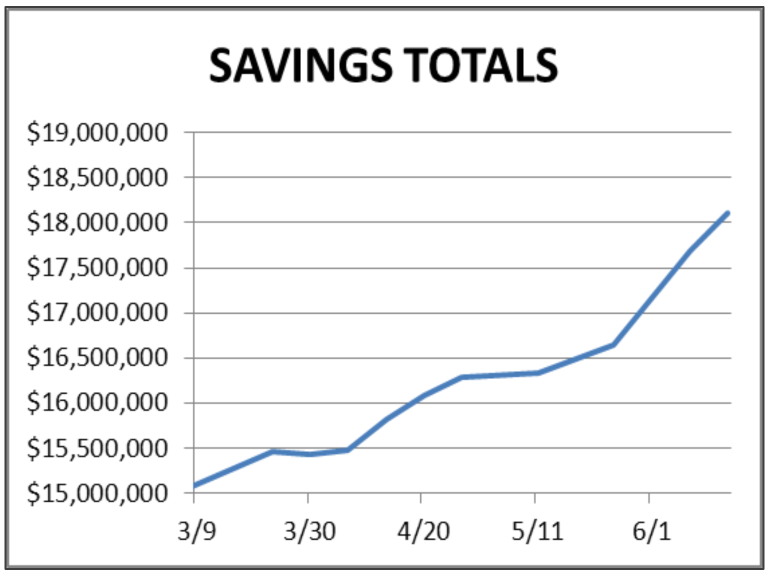
Figure 2: Overview of Initiatives Intended to Implement the DMS Five-Year Strategic Leasing Plan



1. Lease Renegotiation Effort

To achieve a goal of Governor Rick Scott and the Florida Legislature, DMS is working to renegotiate or reprocure leases for private leased space statewide with the goal of achieving cost savings in future years. Governor Scott has given DMS the goal of achieving $25 million in lease cost savings over Fiscal Years 2011-12 and 2012-13. The Florida Legislature provided direction to DMS in the 2011-12 and 2012-13 Implementing bills to work with state agencies and the state's three tenant brokers to renegotiate and reprocure all private leases for space in excess of 2,000 square feet that expire between July 1, 2011, and June 30, 2015, to achieve cost savings in future years.

As directed in Chapters 2011-47 and 2012-119, Laws of Florida, DMS is working with partner agencies and the state's tenant brokers to renegotiate or reprocure all private office or storage leases in excess of 2,000 square feet that expire before June 30, 2015, to achieve cost savings in future years. Renegotiations from July 1, 2011, to June 30, 2012, will result in a projected reduction of lease costs of $18.1 million and a net reduction of 392,270 square feet.



Tenant brokers are assisting DMS and state agencies with this effort by helping to explore the possibilities of collocation, to review the space needs of each agency, and to review the length and terms of potential renewals or renegotiations. DMS continues to work with state agencies and the state's three tenant brokers to identify, review, and renegotiate existing lease contracts that meet the criteria of the bill.

Currently, a significant number of leases do not undergo a competitive procurement because they fall below the 5,000 square foot 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. Savings from past experience equal an estimated ten-percent reduction in rental rate and another ten-percent savings using concessions like free rent or moving allowances.

2. Optimization of State-Owned Space in the Florida Facilities Pool

The State of Florida owns 20,368 facilities, including facilities owned by state agencies, the Florida College System, Statewide Board of Governors, and Water Management Districts. With the implementation of the Florida State Owned Lands and Records Information System (FL-SOLARIS), the state has better information on the details of these facilities. However, at present, DMS has management authority and responsibility for only 108 facilities, with 103 of those in the Pool. DMS will continue to focus resources on maximizing the occupancy and usage of the Pool prior to approving the execution of private leases for similar spaces, and DMS will continue to provide guidance to agencies for increasing the usage of office buildings they own, understanding that the guidance is non-binding until the statutory responsibility of DMS is expanded beyond the Pool.

To best control leasing costs, DMS must ensure that available and suitable state-owned space takes precedent over approving an agency's lease for private sector space. Renovating or remodeling Pool buildings to backfill vacancies and optimize state-owned space is constrained by the limited availability of funding for the space refresh and/or reconfiguration modifications typically required. Unlike the current private sector environment where upfront funding for necessary tenant improvements are added into the rental rate and amortized over the term of the lease, the current model for tenant improvement to Pool office space requires either agencies or DMS to fund the reconfigurations and modifications prior to occupancy. Lack of available funding for space reconfiguration frequently prevents agencies who would otherwise occupy space in the Pool from doing so.

The plan's strategies are categorized in three types indicating the amount of change needed in the space to prepare it for occupancy: turnkey, space reconfiguration (renovation), and space alteration (remodel). The turnkey category does not involve major modification to or improvement of the building and is considered space that is ready for occupancy. The other two categories involve improvements to the building layouts: space reconfiguration (renovation) and space alteration (remodeling). These two types are often used interchangeably as "tenant improvements" but have distinct characteristics from a state budgeting perspective:

- <u>Type I: Turnkey</u>: Space that is ready for occupancy in the backfill scenarios, meaning the space might require fresh paint, carpet, and possibly modular furniture and electrical work. Funding for this scenario may come either through DMS or agency budgets.

- <u>Type II: Space Reconfiguration (Renovation)</u>: Replace existing finishes (new floor finishes, repaint walls, replace lay-in ceiling tile) with limited reconfiguration of interior partitions (wall) or ceilings. This also includes rearrangement of modular furnishings that do not adversely impact life safety ingress/egress.

  Renovation-type improvements are most commonly referred to as Tenant Improvements. Some appropriations for these projects within the Pool are funded through a portion of the DMS rental rate (Agency Space Refurbishment totals $0.25 per square foot of the full-service uniform rental rate) in the Supervision Trust Fund.

  The Fiscal Year 2012-13 Tenant Improvement appropriation is $1.42 million.

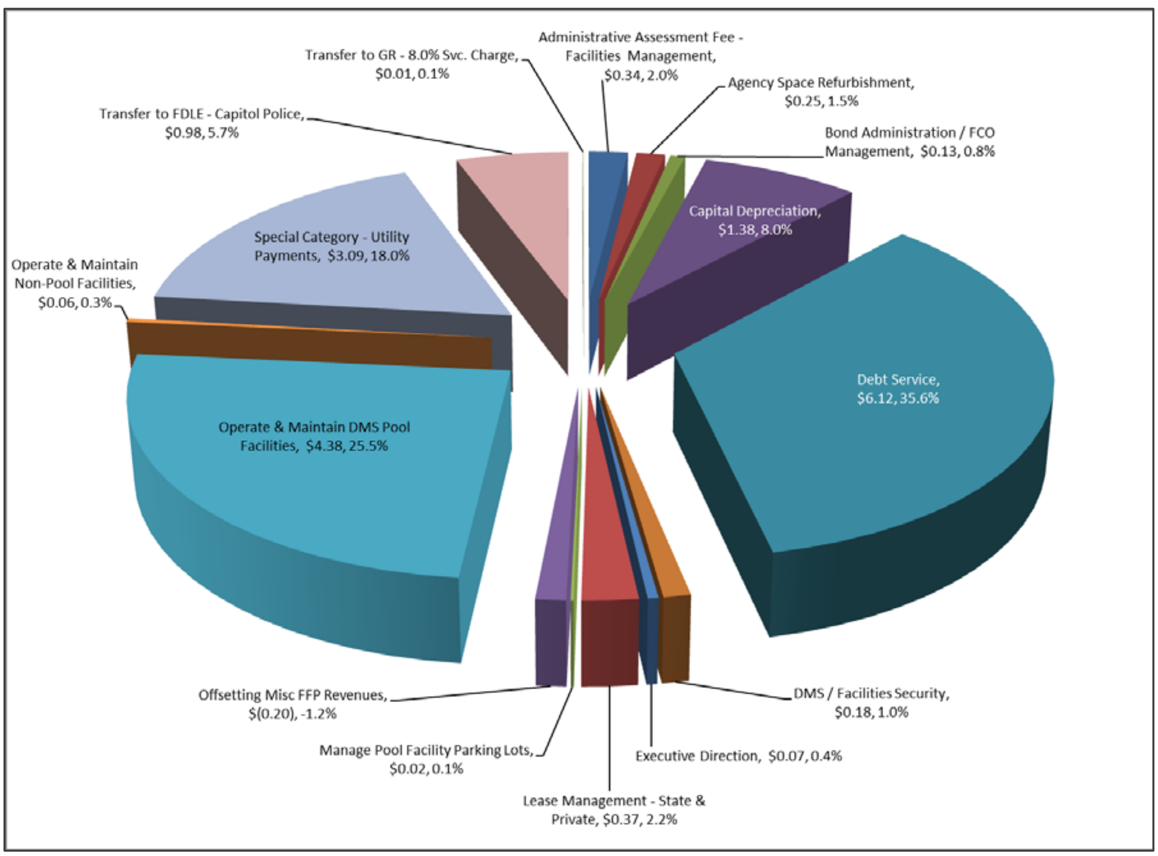
- <u>Type III: Space Alteration (Remodel)</u>: Reconfigure existing walls, lighting fixtures, ceiling tiles, or mechanical systems.

Remodel-type improvements are commonly referred to as fixed capital outlay projects. These are longer-term strategies, and include the reconfiguration and remodeling of Pool assets to improve space usage, house more state employees, and further shrink the overall footprint of the state's private lease portfolio. Improvements may require major system upgrades or updates such as heating, ventilation, air conditioning, or electrical panels. Appropriations for these projects within the Pool 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.

Fiscal Year 2012-13 Fixed Capital Outlay appropriation is approximately $8.1 million and is being used to address building deficiency projects such as facility code compliance; life safety or environmental deficiencies; Americans with Disabilities Act Compliance; mechanical; component or structural failures; and projects that impact a building's operations, integrity or habitability. The current deficiency projects backlog is approximately $118.0 million.

The pie chart in Figure 3 demonstrates how uniform rental rate of the Florida Facilities Pool ($17.18 per square foot for full-service office space) is used to support Pool maintenance and operations.

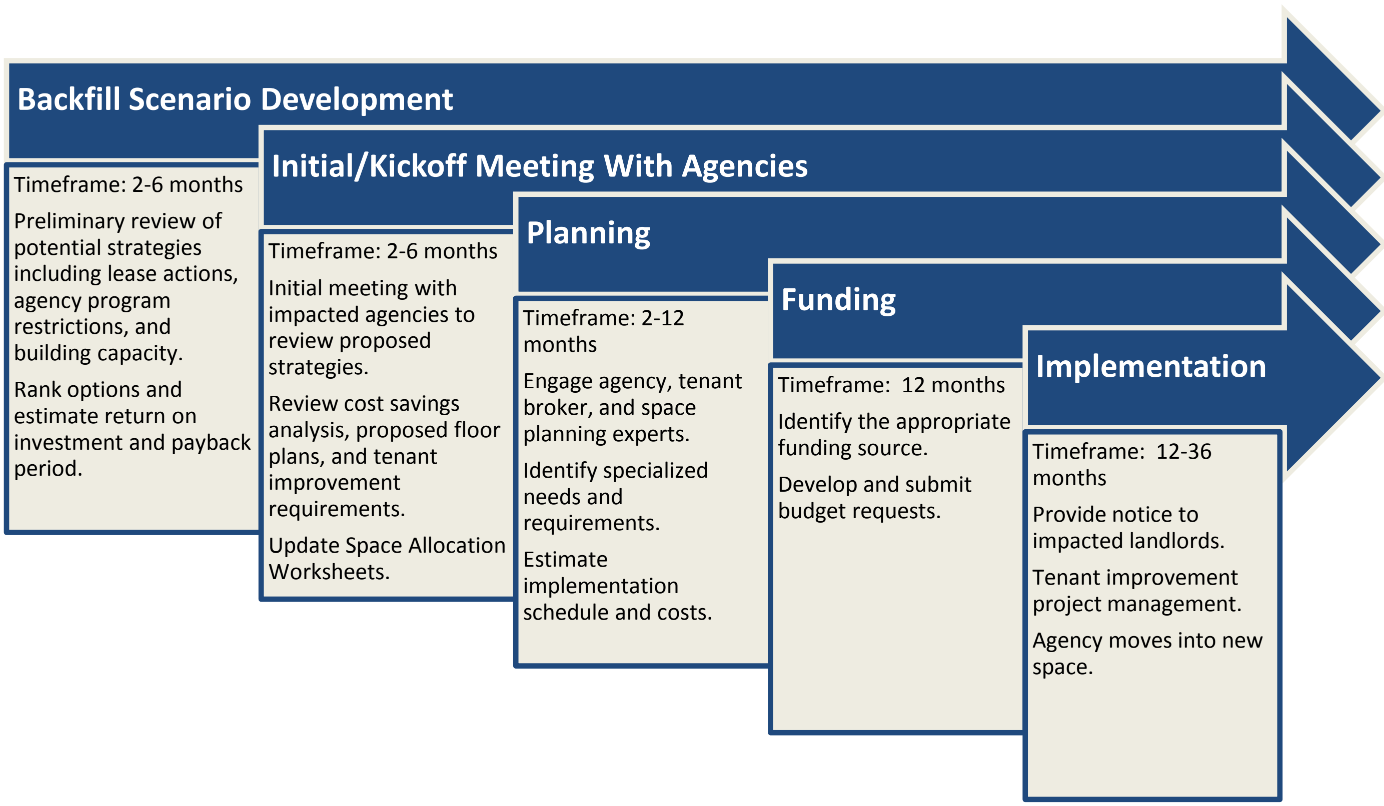
Figure 3: Breakdown of Expenditures for the Uniform Rental Rate for Full Service Office Space ($17.18 per SF) in the Florida Facilities Pool



Pool Backfill Process

The Pool backfill process involves gathering and validating data, conducting an environmental scan of the Pool occupancy and surrounding lease information, and prioritizing potential lease actions that can potentially maximize savings. Depending on the complexity of the building modifications needed, special needs of the agencies, and volume of available space, the process can take anywhere from 18 to 60 months.

The process includes five basic steps:



Backfill Scenario Development: Structural limitations to a facility can impede progress on maximizing lease savings through the densification of its occupants. Conducting a preliminary review of the potential strategies against building capacity helps to further vet the viability of the proposed strategies. An estimated return on investment and payback period is gauged by fully understanding the remodel or renovations necessary to make the proposed changes. Depending on the size of the vacancy, the volume of restacking needed, and the complexity of the agency needs, the preliminary review can take up to six months.

Initial/Kickoff Meeting with Agencies: Once leases are ranked based on the highest estimated return on investment, an initial meeting is scheduled with the agency(ies). DMS and the agency(ies) review the proposal with the supporting cost savings analysis, proposed floor plans, and tenant improvement adjustments they would require, if any. Updated Space Allocation Worksheets are prepared to include current information on the number of personnel and space requirements. On occasion, information is presented in the kickoff meeting that eliminates a targeted lease from the backfill scenario. In that case, the alternative leases identified in the backfill scenario will be substituted. This phase can take up to six months.

Planning: The planning phase includes engaging the agency, tenant broker, and space planning subject matter experts to identify specialized needs and requirements. An agency's reconfigured space is made as contiguous and efficient as possible. Space plans are aggregated for inclusion in a master stacking plan for the building, and phased implementation timelines and costs are estimated. This phase can take up to 12 months.

Funding: To fully implement each of the strategies, additional funding is often required that goes beyond the DMS Pool-generated revenue. The funding phase can run parallel to the planning phase as components and specifics are solidified. DMS and agencies work together to find the most appropriate funding source to minimize the impact to the State of Florida's limited budget dollars. Funding requests should be timed for inclusion into the annual Legislative Budget Request (LBR). This phase can take up to 12 months.

Implementation: Implementation of the tenant improvement and transition plan is the final step. If the lease is terminated prior to the expiration date, the prospective tenant agency must give six months advance written notice of cancellation to the lessor, in accordance with Article XXI of the lease and subsection 255.249(4), Florida Statutes. DMS is statutorily-required to make a reasonable effort to place another state agency in vacated private leased space. Once the tenant improvement process is completed, the agency moves into the Pool space. Implementation timelines for a building may cascade across multiple agencies when moves are contingent on another agency's tenant improvement and/or relocation within the building. The period from implementing the tenant improvement plan until the agency moves in is approximately 12-36 months, depending on the scope of the project.

<u>Pool Backfill Strategies</u>

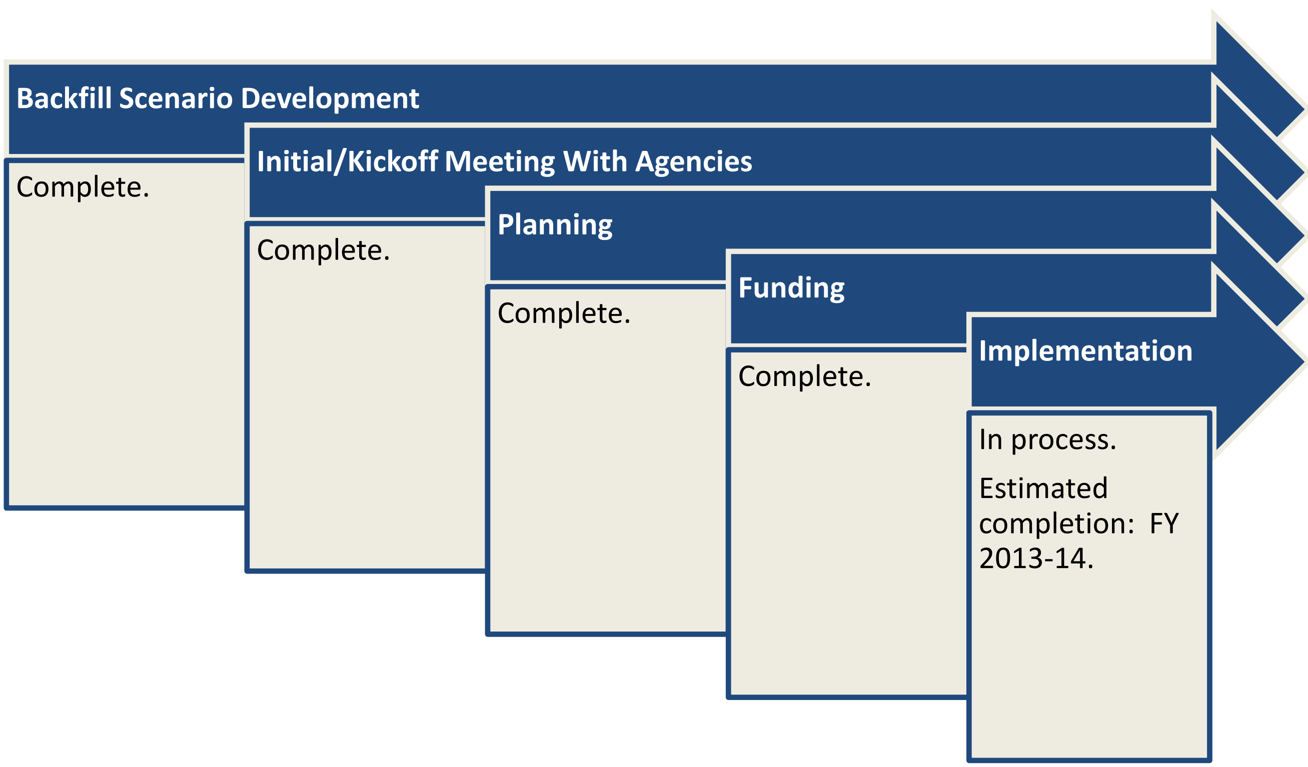
The plan focuses on strategies for the Pool buildings with the highest vacancies and shows the current phase in the process for the following:

A. Grizzle Building – Tampa Bay Market Area
B. Trammell Building – Tampa Bay Market Area
C. Jacksonville Regional Service Center – Singleton Building
D. Fort Myers Regional Service Center – D'Alessandro Building
E. Hurston Building – Orlando Market Area
F. Capital Circle Office Complex - Tallahassee

Some progress has already been made towards implementing portions of last year's strategic plan. Specifically, the Grizzle Building backfill is underway and already in the implementation phase. Limited funding has inhibited the full execution of the strategies for Trammell, Jacksonville, Fort Myers, and Orlando; however, DMS anticipates making some progress this fiscal year. In addition, the Leon County Capital Circle Office Complex is being reviewed by the tenant broker in order to fill vacancies and maximize space efficiencies.

A. Grizzle Building – Tampa Bay Market Area

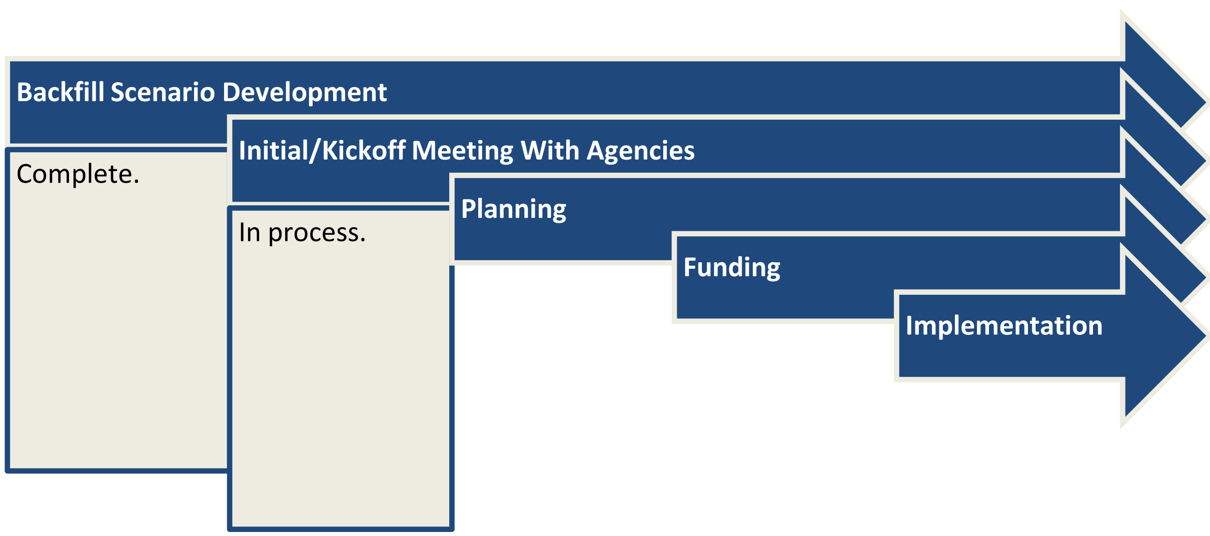
Significant progress has been made toward backfilling the vacancy in the Grizzle Building. The first four phases of Pool backfill process have been completed, leaving only the implementation stage. Funding has been appropriated this fiscal year and construction will be under way in the coming months. Prior to starting construction, three agencies must move off the floor that is being renovated. To move those agencies and to restack the floors to improve efficiency, a total of five agencies will be relocated within the Grizzle Building. Implementation is estimated to take 12-14 months. In total, the move, furniture, and construction costs are estimated at $1,704,404. Under this plan, the total net savings to the State of Florida over a five-year period is estimated to be $2,798,986 with the estimated payback period for investing the move, furniture, and construction costs being 30 months. By Fiscal Year 2013-2014, the full backfill process will be complete, leaving approximately 2,000 square feet vacant.



B. Trammell Building – Tampa Bay Market Area

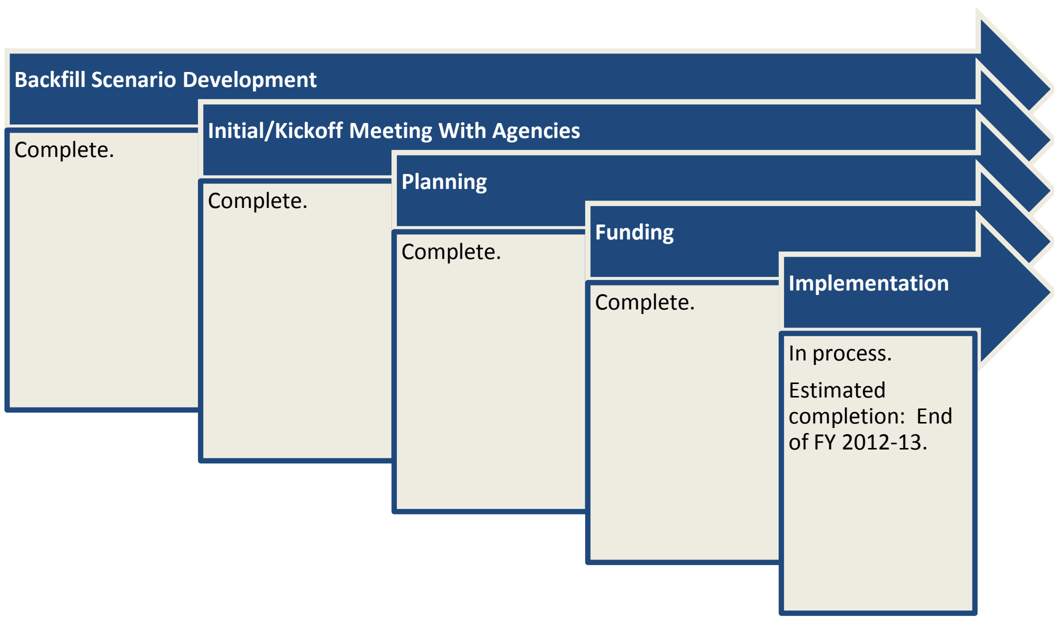
The optimal backfill scenario for the Trammell Building impacts two different agencies and would allow for the transfer of six separate private leases into state space. The bulk of the vacancy is configured in an open space arrangement. The backfill scenario requires some space reconfiguration to create a mixture of offices and workstations that best meets the agencies' needs. As a result, 25,757 square feet of the vacant space would be recommended for reconfiguration at an estimated cost of $1,662,180. DMS also will be carpeting and painting the entire vacant space at an estimated cost of $169,056.

After completing the construction required to prepare the vacant space for occupancy, the lease cost savings associated with moving these private leases into state space are estimated at $707,200 over five years. Also, by filling the vacant space, additional Pool income will be generated in the amount of $442,505 annually.



C. Jacksonville Regional Service Center (RSC) – Singleton Building

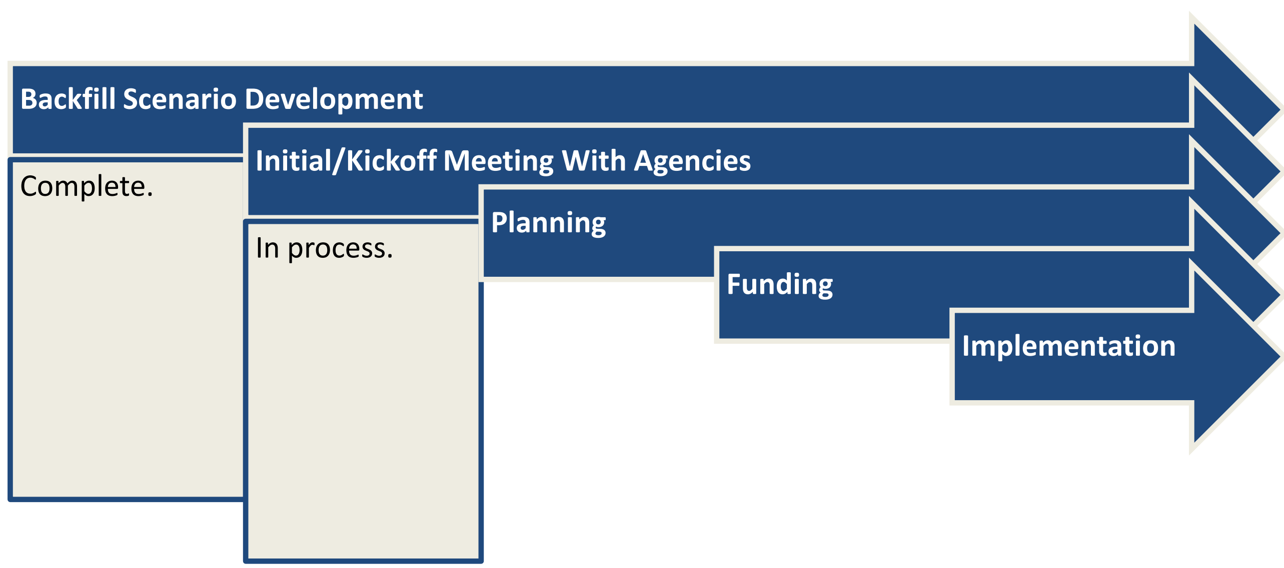
Significant progress has been made toward backfilling the vacancy in the Jacksonville Regional Service Center. The first four phases of Pool backfill process have been completed, leaving only the implementation stage. Funding has been appropriated this fiscal year and construction will be under way in the coming months. Implementation is estimated to be completed by the end of Fiscal Year 2012-13. In total, the construction costs are estimated at $91,750. Under this plan, the total net savings to the State of Florida over a five-year period is estimated to be $82,417 with the estimated payback period for the construction costs being 30 months. The funding we received this fiscal year covers approximately 76 percent of the current vacancy, which means approximately 24 percent of vacancy, or 3,245 square feet, will remain.



D. Fort Myers Regional Service Center (RSC) – D'Alessandro Building

The backfill scenario for the Fort Myers Regional Service Center – D'Alessandro building involves four agencies and would transfer four separate private leases into state space. The bulk of the vacant space is configured in an open arrangement. Multiple agencies share the space with no clear division. The backfill scenario recommends a mixed approach of turnkey space preparation and some space alterations to create contiguous agency space with division. As a result, 9,997 square feet of the vacancy would be recommended for remodeling at an estimated cost of $989,697 and 3,528 square feet would be recommended as turnkey space at an estimated cost of $64,077. The total construction costs are estimated at $1,053,774. In addition, DMS will be carpeting and painting the entire vacant square footage at an estimated cost of $91,619.

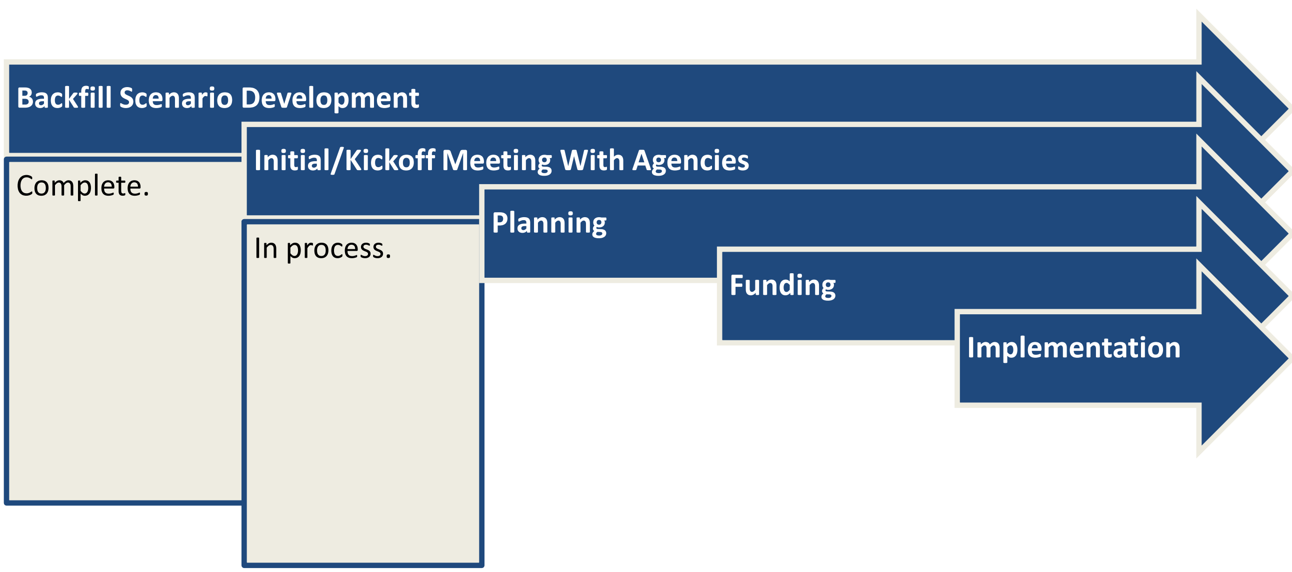
Private lease cost savings are estimated at $798,607 over a five-year period, and the estimated payback period would be about 6.6 years. Pool income generated by the now-occupied space would total $232,360 annually.



E. Hurston Building – Orlando Market Area

The backfill scenario for the Hurston building involves three agencies and would transfer three separate private leases into state space. The Hurston building is comprised of two towers, North and South, with sufficient vacant space, 44,047 square feet, to accommodate the three private leases. As a result, 44,047 square feet of vacant space would be recommended for space reconfigurations (renovation) at an estimated cost of $1,655,725. In addition, DMS will carpet and paint the entire vacant space at an estimated cost of $275,294.

After completing the construction required to prepare the vacant space for occupancy, the lease cost savings associated with moving these private leases into state space are estimated at $1,934,560 over five years. By filling the vacant space, additional Pool income will be generated in the amount of $756,727 annually.



2013-2014 Legislative Budget Request for Pool Facilities Re-Stacking									
Building	**Square Footage (SF)**	**Estimated Annual Rent**	**State SF**	**New/State Annual Rent**	**Annual Rent Savings**	**Carpet/Paint Takeout**	**Construction Costs**	**Total Construction Costs**	**Return on Investment (ROI) in Years**
Trammell	27,049	$583,945	27,049	$442,505	$141,440	$169,056	$1,662,180	$1,823,161	11.75
Hurston	52,284	$1,143,639	44,047	$756,727	$386,912	$275,294	$1,655,725	$1,900,000	4.28
Fort Myers	15,344	$391,551	14,659	$232,360	$159,192	$91,619	$1,053,774	$1,138,305	6.62

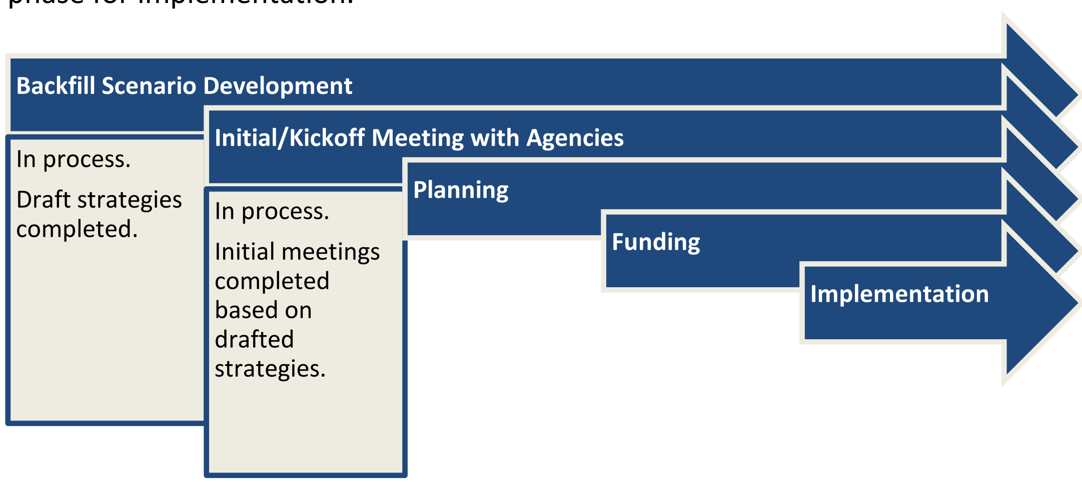
Construction Total	$4,371,679
Carpet Total	$535,969

Annual Rent Savings Total	$687,543
Average ROI	6.36 years

* Grizzle (Tampa Bay), Jacksonville, and the Capital Circle Office Complex backfill scenarios will be funded with existing appropriations.

F. Capital Circle Office Complex – Leon County Market Area

On July 1, 2012, Cushman and Wakefield was engaged to develop and present a real property recommendation plan to re-stack agencies within the Capital Circle Office Complex (CCOC). The broker will identify existing leases within the CCOC and private leases in Leon County to relocate and consolidate within the CCOC vacant space. The recommended solutions are expected to indicate specific agency relocations and estimated costs. The backfill scenarios are intended to be as turnkey as possible, requiring the least amount of construction, renovation, and/or demolition. To date, the broker has conducted initial meetings with each agency currently located at the CCOC and has developed preliminary strategies. The final recommendations are underway and will undergo further review by DMS staff. At that time, DMS, agencies, and the tenant broker will enter into the planning phase for implementation.



3. <u>Real Estate Optimization</u>

State agencies own approximately $1.7 billion in real estate assets managed by 20 different agencies. The current, decentralized model provides a high level of autonomy for agencies and requires a complex management structure to oversee and help coordinate dispersed leasing operations, limiting the ability of DMS to fully implement and realize strategic goals and cost-saving initiatives beyond the 103 Pool facilities. DMS, as part of its core mission, currently performs every aspect of real estate portfolio management, including oversight for the private and Pool lease process.

A. Standardize Oversight and Operations

Standardization of the oversight and management of the state's real estate portfolio would fully maximize savings through its real estate assets. Having a single, comprehensive real estate portfolio management service for all state owned facilities would support the establishment of a consistent, holistic approach to managing, maintaining, and protecting state-owned real estate assets beyond the private, Pool, and other government lease portfolio. Standardized oversight and management increases efficiencies and lowers costs through several mechanisms, such as leveraged spend, densification of state buildings, and reduced energy costs. Building maintenance, repairs, and investments can be assessed for long-term cost effectiveness and prioritized to ensure that the expenditure benefits the state and further maximizes efficiencies. Best practices that create optimal work environments should be applied across the portfolio to create well-maintained, efficient buildings.

The state's portfolio would ultimately include better quality assets, because buildings would be assessed, maintained, monitored, and measured consistently. Inefficient and under-utilized assets would be removed from the inventory, lowering the cost and reducing the backlog of deferred maintenance and potentially providing some funding to the state from the liquidation of the asset. Vacant space would be cross-referenced with agency needs to fill state-owned space and further reduce the need for private leases. Where possible, space could be consolidated to reduce private sector lease costs even more.

B. Enhance Occupancy Management

The real estate portfolio could be further optimized through a standard, holistic approach to managing occupancy in all state-owned and leased facilities, beyond what DMS has oversight authority. The portfolio footprint could be reduced further by standardizing space allocation metrics within all agency-occupied space and providing recommended space configurations. Vacancies in state-owned facilities beyond the Pool can be included in the development of backfill strategies to further drive down private lease costs. DMS is in the process of developing updated guidance to help redefine and enable more cost-effective lease management operations in state agencies.

Long-term strategies for efficient, dynamic workplaces include exploring options for various alternative office concepts. Long-standing, historical space allocation methodologies have frequently resulted in a maze of private, hard-walled offices that are counter to industry trends of more open and collaborative office environments. Creative solutions are becoming popular in both private and public sectors in reaction to constricted funding, the viability of technology to support mobility, changing workforce preferences, and the versatility of the space to meet rapidly changing business needs. Several primary alternative workplace strategies include:

- 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 a manual or automated reservation system.
- Satellite offices — smaller geographically dispersed business offices located for greater employee and customer convenience.

- Results-Oriented Work Environment (ROWE) – flexible work environment that extends beyond traditional telecommuting to one that is solely performance-based, not based on time worked.

Agencies have begun pilot programs to explore the impact of alternative office solutions. Full implementation of a state-wide alternative office solution would reduce significantly the need for office space. To be successful, the initiative would require full support from the areas of human resources, information technology, and facilities/lease management. Implementing a strategy to optimize and reconfigure state-occupied space to be more open, collaborative, and flexible ensures that agencies fully utilize existing assets prior to entering into additional private leases.

C. Leverage Operations and Maintenance Procurements

Citizens viewing the Tallahassee landscape from the observation deck at the Capitol Complex might be surprised to learn that eight different agencies manage more than two-dozen state-owned buildings visible within plain sight. This example depicts how real estate is currently managed within state government. The eight agencies each have contracts for various operations and maintenance services, such as elevator service, landscaping, custodial, and heating, ventilation, air conditioning (HVAC) systems. The decentralized model also means that the eight agencies independently purchase supplies for the maintenance of those buildings such as air filters, light bulbs, and paper towels. Aggregating the purchasing power of facilities-related procurements across the state's entire real estate portfolio would create economies of scale.

D. Reduce Energy Consumption

DMS has a core function of making public buildings energy efficient, functional, durable, and maintainable. Several strategies, when applied across the state's portfolio, could reduce significantly energy costs such as:

- Mandating a ten percent reduction in energy costs
- Streamlining performance contracting and developing shared savings contracts
- Reducing utility rates through structure, analysis, and oversight
- Re-prioritizing capital improvement requests to maximize energy savings (life cycle costing)

DMS has adopted the United States Green Building Council's Leadership in Energy and Environmental Design (LEED) rating system for new construction and renovation projects and then goes even further by evaluating life-cycle costs. Through the Florida Life-Cycle Cost Analysis Program, state agencies can now easily separate fact from perception when evaluating potential building design options.

Enhanced energy efficiency can often dramatically improve the cost-effectiveness of a building, but it takes a life-cycle cost analysis to prove which options are truly cost-effective. Determining the total cost to own, operate, maintain, and replace building systems over the long term (i.e., the total life-cycle cost) is crucial to making good decisions. DMS applies this technique to all construction projects, including renovation projects that address major energy-consuming equipment in existing buildings.

Examples of such sustainable improvements in the management of real estate assets include:

- DMS project oversight of the Al Lofton Building renovation in Miami helped the Department of Highway Safety and Motor Vehicles reduce annual building energy costs by 35 percent, while achieving a return-on-investment in less than three years for the added cost of maximizing energy efficiency.
- The new Department of Revenue buildings located at the Capital Circle Office Complex (CCOC) in Tallahassee added 38.7 percent in total square footage to the DMS-managed campus but only added 10.5 percent in annual campus electrical consumption. Private rent costs were reduced by $1 million dollars annually in addition to operational expenses such as copiers, faxes, postage meters, and other soft costs.
- The replacement of two 450-ton centrifugal chillers operating since 1987 at the DMS-managed Florida Department of Law Enforcement (FDLE) building in Tallahassee reduced the facility's annual electrical consumption by approximately 20 percent. The new chiller units at FDLE were selected based upon an analysis of total life-cycle costs with a process that was developed exclusively by DMS engineers. This project demonstrated a return-on-investment of less than 1.5 years for the added cost of maximizing energy efficiency.

E. Maximize the Value of Real Estate Assets

Real estate assets are a significant investment for the State of Florida. Assets that are underutilized, inefficient, or have exceeded their useful life should be considered for disposition. Assets that are considered sustainable should be renovated as needed to increase and maximize efficiencies, both operationally and in space configuration. The current real estate market may also offer opportunities to purchase assets below market value in key areas where the state has a high volume of private leases.

More research would be required to develop a business case that supports any recommendation to purchase assets in areas where the state has a high volume of privately-leased square footage. Preliminary data analysis shows the following counties as candidates for further market research to determine availability and cost of a potential acquisition:

Six Largest Counties for Private Leased Space by Space Type

Office	Square Footage
Leon	2,437,253
Duval	577,903
Miami-Dade	465,464
Hillsborough	425,795
Broward	398,738
Orange	296,969
Unconditioned Storage	**Square Footage**
Orange	199,107
Leon	58,289
Escambia	12,799
Pinellas	9,716
Broward	7,923
Sumter	7,202

Disposition recommendations within the plan are limited to those facilities in the Pool, and DMS currently does not recommend the disposition of any Pool facilities. However, continued limited funding does impact the sustainability of buildings when maintenance and capital improvements are deferred. Older buildings with chronic vacancies, large capital deficiencies, and other structural issues may be recommended for disposition in the future. Prior to any recommendation, a full analysis must be conducted to understand the impact the change would have to the Pool portfolio, including revenues generated through the Pool rental rate.

DMS has engaged a tenant broker to assist in developing a metric to measure the overall financial and operational health of a facility. The efficiency assessment methodology will provide an initial analysis based on various business rules indicating which buildings add value to or drain resources from the state’s real estate portfolio. Initial analysis will center on facilities in the Pool.

As the charts below indicate, 22 of the 59 (39.3 percent) office buildings in the Pool were built prior to 1980.

Chart 2: Pool Office Buildings by Decade Built

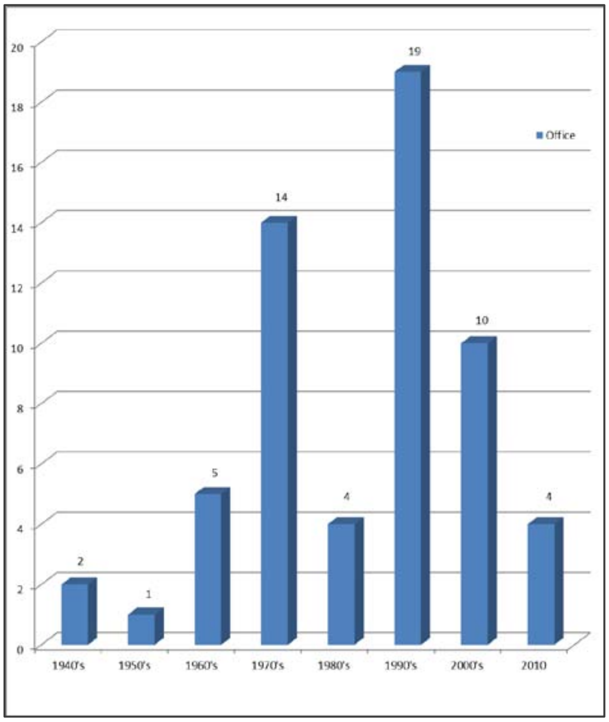
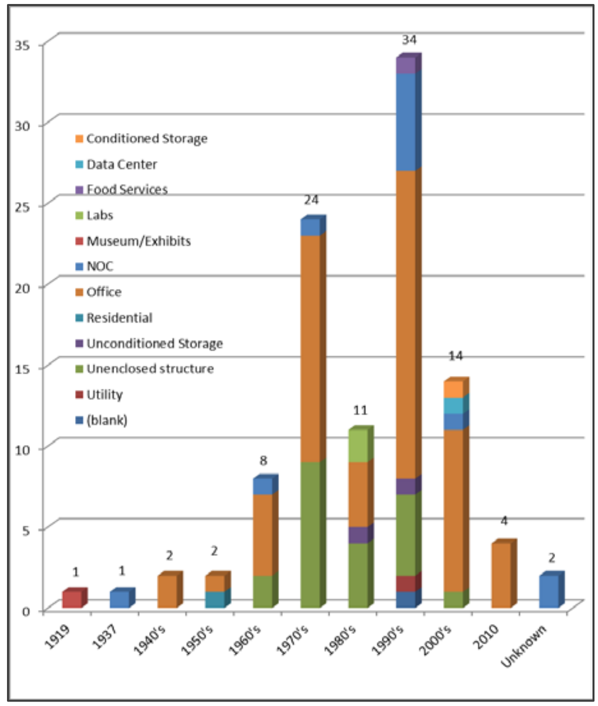


Chart 3: All Pool Buildings by Decade Built



The results from the analysis may provide candidates for disposition, acquisition, and/or construction. Applying the tool to the state's entire owned portfolio would help to ensure that the State of Florida's real estate investments are maximized to their fullest potential.

III. Conclusion

The opportunities outlined in the plan will require productive partnerships between DMS, agencies, tenant brokers, and the Legislature. Significant progress has recently been made in the area of lease cost savings by working with state agencies and tenant brokers, demanding data-driven decisions, and addressing the state's private, other government, and public leases in a comprehensive manner.

Agency flexibility has contributed to successful lease reductions and consolidations thus far. DMS, agencies, and the tenant brokers continue to develop innovative ways to reduce space and create greater flexibility by combining similar operational programs and/or back office functions, where appropriate, thereby enabling space realignment and reduced costs. The co-location between agencies expands the opportunity for even more reduced space by sharing common, non-secure spaces such as lobbies, rest rooms, break rooms, and conference/training rooms. Agency cooperation is a key factor to the success of implementing greater leased space reductions beyond the Five-Year Strategic Leasing Plan.

Comprehensive data is helping the state's decision-makers look at the state's lease portfolio in new ways. The Florida State Owned Lands and Records Information System (FL-SOLARIS) provides comprehensive information on state-owned and leased structures. By assessing leased space comprehensively, the state is aggressively looking for ways to further reduce space through co-location within and between agencies. Agencies are thinking strategically about the future landscape of their lease portfolio and are conducting cost-benefit analyses for proposed lease actions.

Legislative support is a central component to the successful implementation of the plan. DMS is poised to establish a more proactive role in managing the state's real estate portfolio should its authority be increased to impact all leases in excess of 2,000 square feet. The proposed DMS legislative package includes changes that would allow DMS to direct other agencies from private leases into state-owned facilities (Pool and agency-owned), direct co-location of agency space, and maximize savings by fully utilizing the tenant broker contract. Finally, funding support for the capital and tenant improvements needed for the backfill strategies included in the plan are essential to a full and complete strategy execution.

For additional information or if you have questions about this report, please contact:

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