

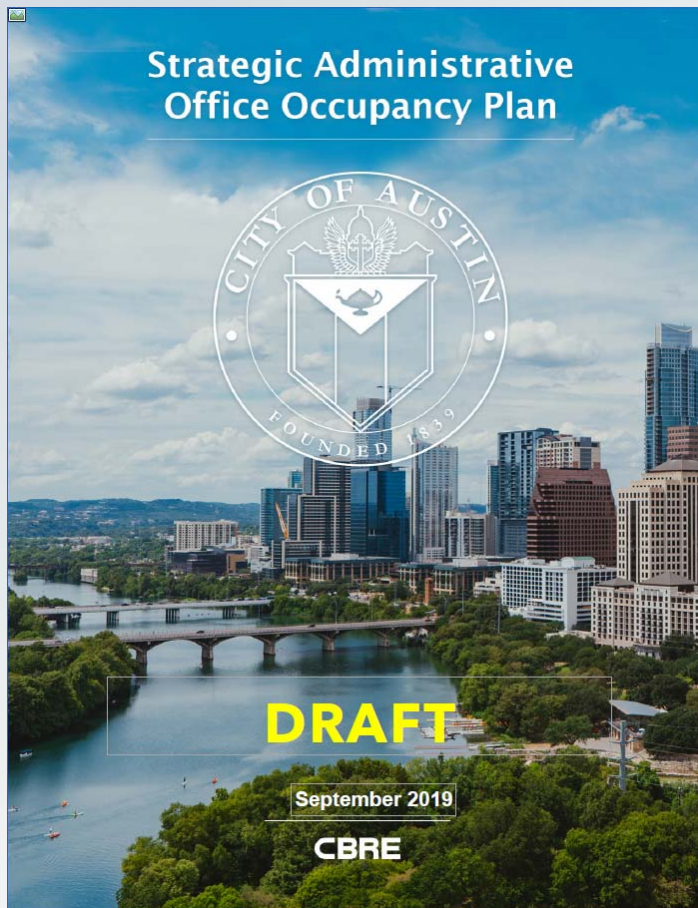
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Strategic Administrative Office Occupancy Plan

Audit & Finance Committee
City of Austin
October 23, 2019

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A Long-Term Program



Key Guiding Principles of the Study

- i. Improve work environments for City employees and enhance productivity and efficiency in workflow for individuals and departments;
- ii. Decrease overall occupancy costs and exercise improved stewardship of taxpayer dollars;
- iii. Improve the public facing experience in City facilities and advance customer service; and
- iv. Improve City facilities and amenities to attract and retain talent throughout the City's workforce.

Facilities & SD23



Strategies:

GTW #10: “Utilize a transparent data-driven process to **prioritize improvements to and management** of 1) **our buildings, facilities** and information technology to maximize the experience of our customers and employees; and 2) our electric, water, wastewater, stormwater, and transportation infrastructure to minimize lifecycle costs and maximize service delivery.

GTW #11: “Improve our competitiveness as an employer to **attract**, efficiently hire, and **retain a diverse, highly skilled workforce** across the entire City organization.”

GTW #13: “Establish a **workplace culture of high performance**, continuous improvement, and **human-centered innovation that encourages employee growth and inclusive collaboration**. In addition, embrace technology, rapidly prototype potential solutions, and improve business processes to increase efficiencies and reduce red tape.”

Building on Prior Successes

- RSPi Facility Roadmap
- Creation of Strategic Facility Governance Team (SFGT)
 - Finance, Real Estate, Building Services
- One Texas Center modifications in 2014
- Determining city-wide needs and space standards
- Strategic look at corporate leasing needs and lease terms
- Building Services deferred maintenance program / financial policy
- First ever P3 Approach to New Buildings
 - PDC and AEHQ buildings

Building on Prior Successes

- Creating and implementing City's first P3 Office Buildings



PDC – Complete May 2020



AEHQ – Complete April 2021

A Long-Term Program

Phase I

2011-2012

- * Facility Roadmap
- * Create Facility Governance (SFGT)

Phase II

2013-2019

- * Implement Facility Governance
- * Developed Comprehensive Space Standards
- * Create / Test / Implement P3 Model (PDC & AEHQ)
- * Align new leases under SFGT long-term strategy
- * **Develop Occupancy Plan**

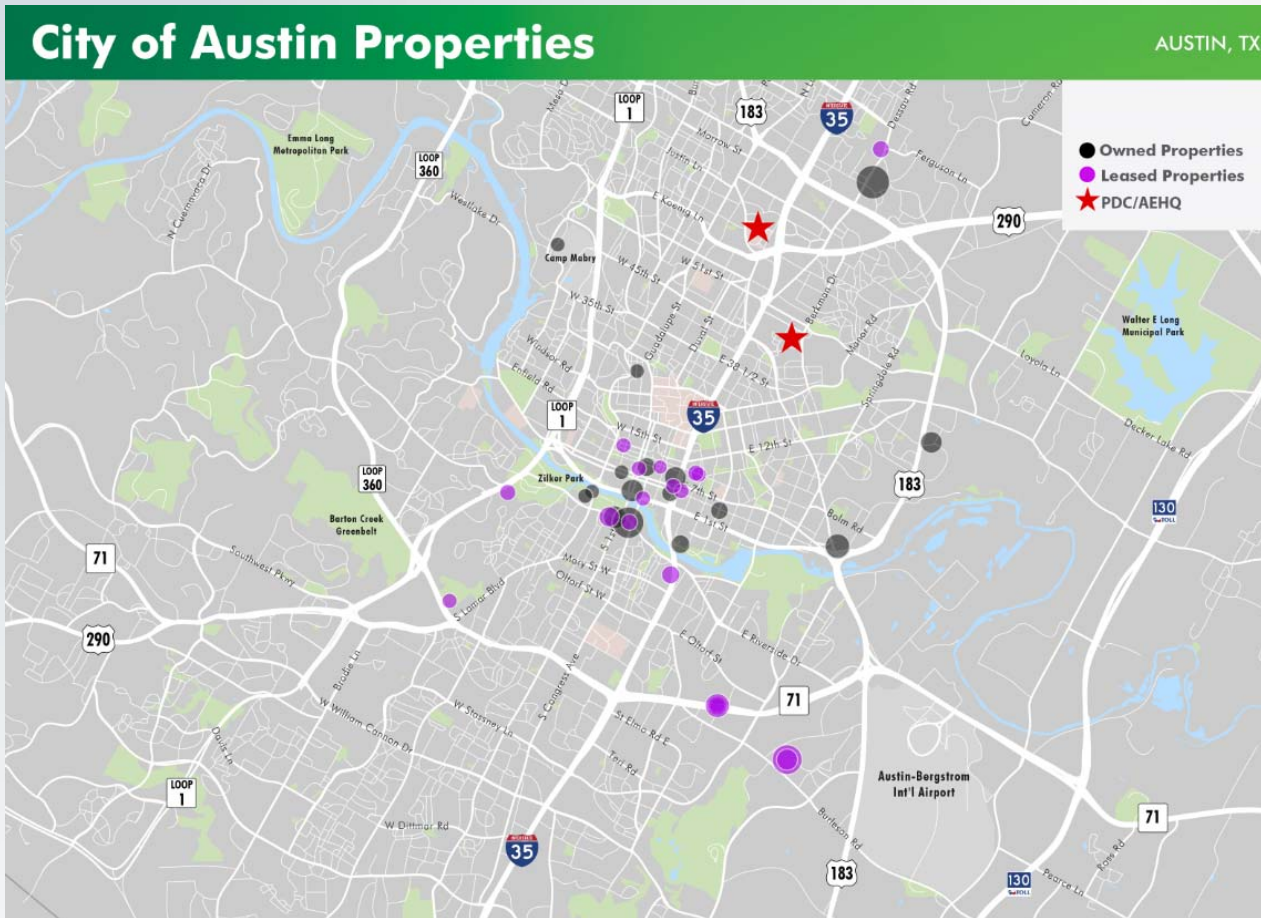
Phase III

2020 - 2026

- * Implementation of Occupancy Plan
- * Detailed site/facility assessments
- * Complete transition from lease to own
- * Multiple transactions for new facilities

Key Observations

- Owned & Leased Office Buildings



Type	Total Space
Owned	1.2 M sf
Leased	781,000 sf

Key Observations

- City leases 781,000 sf of office space with annual expense of \$22.8 million
 - This costs are in Departmental operating budgets
 - Annual occupancy cost per FTE nearly double that of City owned space
- Occupancy Rates: Lease vs Owned
 - Utilization of space lower for lease than for owned space
 - This is the equivalent to an extra \$1.6 million in annual costs
- Validated the **significant long-term savings** of owning vs lease

Forecast of Own vs. Lease (30-Year) 300,000 SF Administrative Office Build-to-Suit: Class A Suburban*			
	Cost to Own: 30-year hold	Cost to Lease: 30-year term	Savings
FTEs	1,220	1,220	-
30-year average annual occupancy cost/FTE	\$10,196	\$19,247	\$9,051
Total	\$373,027,805	\$704,163,285	\$331,135,479
NPV	\$216,539,197	\$380,394,041	\$163,854,844

Key Recommendations

- Transition out of Leased space into additional 1.2 million sq ft of owned space by 2026



Key Recommendations

Transition Out of Lease Space

- Additional 1.2 million sq. ft/ of newly owned office space based on:
 - PDC and AEHQ will address 540,000 sq. ft. of this need
 - Last of office leases expires in 2026
 - Allows for employee growth
 - Utilizes new space standards
 - Planning assumes several existing buildings go “offline” such as Municipal Building, APD HQ, 411 Chicon, PARD Annex
- Results in several newly owned Administrative Buildings
 - Continued use of P3 model
- ***Transitioning to owned space allows City to move facility need expenses from operating budgets to debt service***

Looking Ahead

Priorities

- Understand options for One Texas Center (*underway*)
- Other asset analysis such as Town Lake Center, Rutherford Lane Campus
- Begin necessary programming work for next potential Administrative Office buildings
 - Departmental requirements & adjacencies

Requested Council Action Item in December for Work Authorization for these assessments and analysis