



Portland City Council Space Proposal 2013





Portland City Council – Space Proposal 2013

OBJECTIVES

- Maximize use of City-owned space
- Minimize need for leased space
- Generate savings
- Build the Major Maintenance reserve
- Address the concerns in the Audit Report concerning Downtown Office Space
- No Additional General Fund requirement





Portland City Council – Space Proposal 2013

OVERVIEW

- Review City space policies
- Review the City's current office space inventory
- Present the City's five year office space use proposal
- Show a coordinated plan to reduce the need for leased space over the next five years
- Review guidelines for developing office space allocations
- Identify potential savings
- Discuss next steps





Portland City Council – Space Proposal 2013

CITY POLICY

- Administrative Rule (ADM) 13.01, adopted by Ordinance No. 179682 states that the City desires to maximize its investment in City-owned facilities by maintaining full occupancy and providing for City bureau space needs in house and not to lease external space unless City needs cannot be reasonably met.
- Arts and Culture Policies & Administrative Rules (ART) 3.01, adopted by Resolution 36267 by Council on October 27, 2004, also gave guidance for when there was a need to lease non-City space that the City should evaluate placement at historic buildings.
- Portland City Code Chapter 3.15 delegated to the Office of Management and Finance (OMF), through its Bureau of Internal Services (BIBS) (formerly the Bureau of Internal Business Operations and the Bureau of General Services), the responsibility to directly execute leases.
- Proposed resolution reaffirms the City's interest to maximize investment in City-owned facilities and formalizes the City's lease management function.





Review the City's current office space inventory





Current City of Portland Properties & Leases

**Housing Bureau
Commonwealth Building**
20,103 RSF

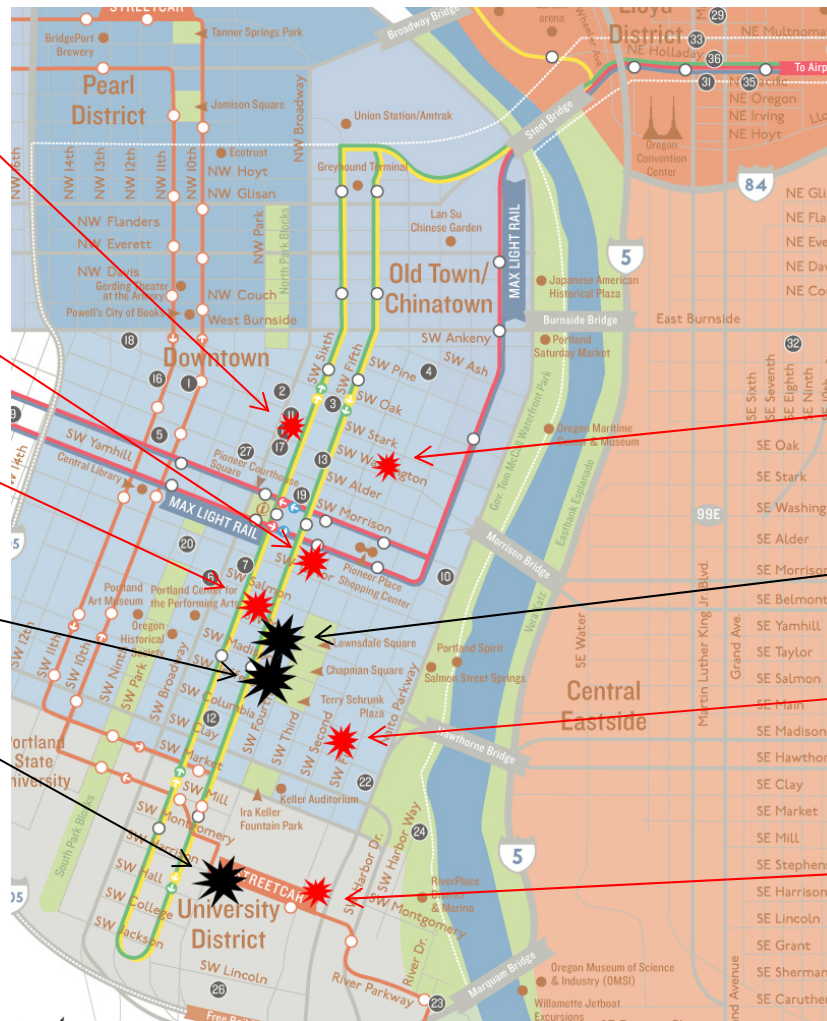
**BES
Pioneer Office**
16,754 RSF

**POEM
Congress Building**
3,912 RSF

City Hall
71,318 RSF

1900 Building
143,293 RSF

**Jerome Sears Westside
Operations Center**
SW Multnomah Blvd.
25,530 RSF



**Emergency Coordination
Center**

Adjacent to Portland
Communications Center
28,000 SF

Kelly Building
E 47th & Burnside
38,726 RSF

**Children's Fund
Spalding Building**
1,283 RSF

The Portland Building
378,037 RSF

**Revenue Bureau
Columbia Square**
25,650 RSF

**FPD&R
Harrison Bldg**
8,060 RSF



City Owned Property



Leased Property

37017



Current Office Space Inventory

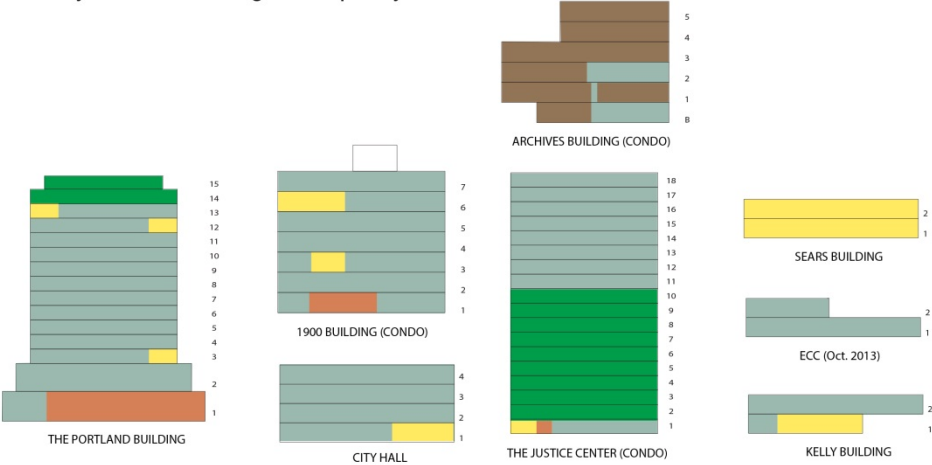
Property	Occupant	Owned	Vacant	Leased	Cost / SqFt
Jerome Sears Westside Operations Center	Vacant restricted to City Preparedness programs	24,000	20,000		\$16.50
City Hall	Auditor, City Attorney, Council, ONI, Government Relations	71,318	3,489		\$16.02
Portland Building	BES, CBO, OMF, Parks, PBOT, Water	354,160	6,569	*23,877	\$16.76
1900 Building	Auditor, BDS, BES, BPS, OMF, PBOT	143,293	14,566		\$30.72
Kelly Building	ONI, Water	38,726	3,578		\$16.50
Commonwealth	Portland Housing Bureau (OEHR sub-lease)			20,103	\$22.17
Harrison Building	FPD&R			8,060	\$22.00
Columbia Square	OMF (Revenue)			25,650	\$22.56
Pioneer Tower	BES			16,754	\$27.75
Congress Building	PBEM			*3,912	\$21.34
Spalding Building	Children's Fund			1,283	\$21.77
Totals		631,497	48,202	99,639	
City's current Office Space Inventory			731,136		
Space deficit if all City Owned space occupied		51,437			
*Space deficit adjusted for WB and PBEM 2013 moves		39,177			



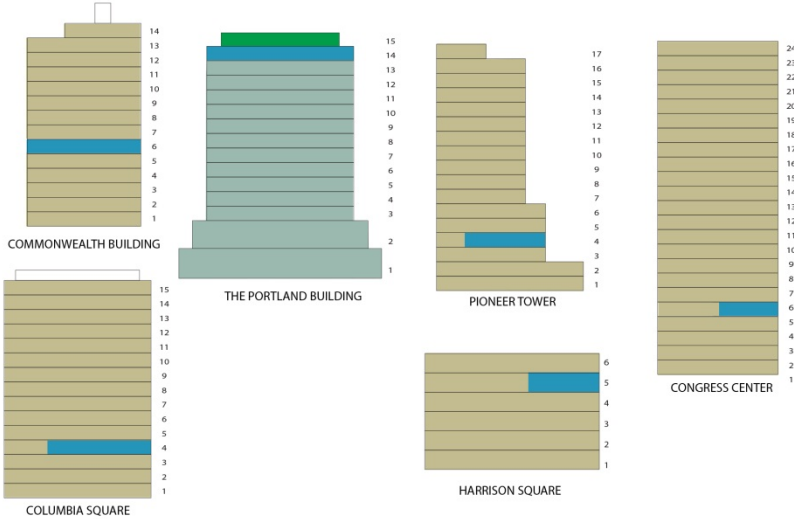


Current 2013 City Occupancy

2013 - City Owned Buildings Occupancy



2013 - Out Leases in Privately Owned Buildings



LEGEND

- City of Portland
- City Leased Space
- Multnomah County
- Non-City
- Vacant
- Retail
- PSU





Current Leased Properties

Property	Occupant	Expiration	RSF	Cost/SF	Annual Cost
Portland Building	Water*	6/30/2013	16,607	\$18.48	\$306,898.00
Portland Building	OMF (EBS)	6/30/2013	7,270	\$18.48	\$134,350.00
Congress Building	PBEM	6/30/2013	3,912	\$21.34	\$83,482.00
Columbia Square	OMF (Revenue)	5/31/2015	25,650	\$22.56	\$578,737.00
Spalding Building	Children's Fund	5/31/2015	1,283	\$21.77	\$23,733.00
Commonwealth Building	Housing, OEHR	10/31/2016	20,103	\$22.17	\$443,688.00
Pioneer Tower	BES	11/30/2016	16,754	\$27.75	\$464,924.00
Harrison Building	FPD&R	7/31/2017	8,060	\$22.00	\$177,320.00
Approx. TOTAL			99,639		\$2,213,132.00

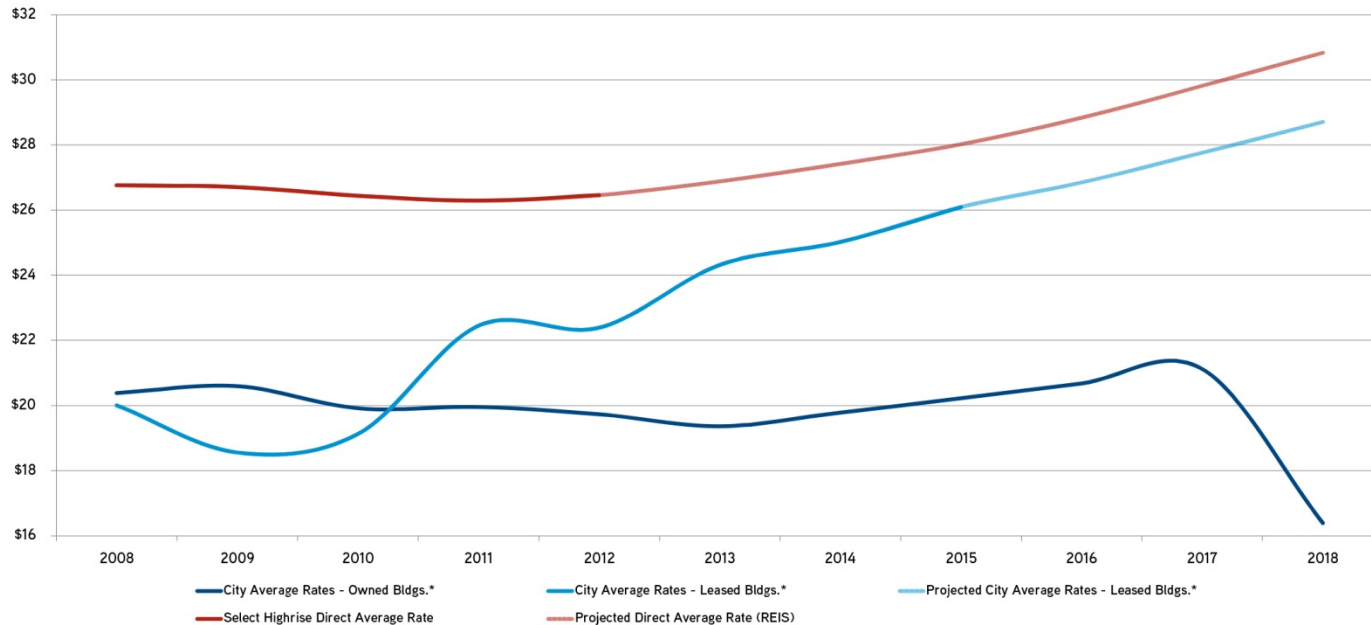
*Water reduced to 8,259 RSF, with annual cost of \$152,626





Historic and Projected Rental Rates

Historical and Projected Rental Rate Trend for Select Portland Highrise Buildings & City Leased Buildings- Winter 2012



*The City Average Rates - Owned Bldgs. and City Average Rates - Leased Bldgs. and Projected City Average Rates - Leased Bldgs. are both simple averages

Direct Office Vacancy & Rental Rates & Selected City Building Net Effective Rental Rates

	Q4 2011		Q4 2012		
Building	Vacancy (%)	Avg. Asking Rental Rate ¹	Vacancy (%)	Avg. Asking Rental Rate ¹	YOY Rent Change
CITY OWNED BUILDINGS ²					
PORTLAND BUILDING	-	\$15.40	-	\$15.44	0.26%
CITY HALL	-	\$14.72	-	\$14.92	1.36%
1900 BUILDING	-	\$29.75	-	\$28.84	-3.06%
CITY AVERAGE RATES - OWNED BLDGS.*	-	\$19.96	-	\$19.73	-1.12%
CITY LEASED BUILDINGS ²					
COMMONWEALTH - HOUSING	-	\$21.32	-	\$22.17	3.99%
PIONEER TOWER - BES	-	\$27.00	-	\$27.75	2.78%
CONGRESS CENTER	-	\$21.00	-	\$21.34	1.62%
COLUMBIA SQUARE	-	\$21.94	-	\$22.60	3.00%
HARRISON SQUARE BUILDING	-	-	-	\$22.00	NA
THE PORTLAND BLDG. 14TH FLOOR	-	\$20.99	-	\$18.48	-11.96%
CITY AVERAGE RATES - LEASED BLDGS.*	-	\$22.45	-	\$22.39	-0.27%

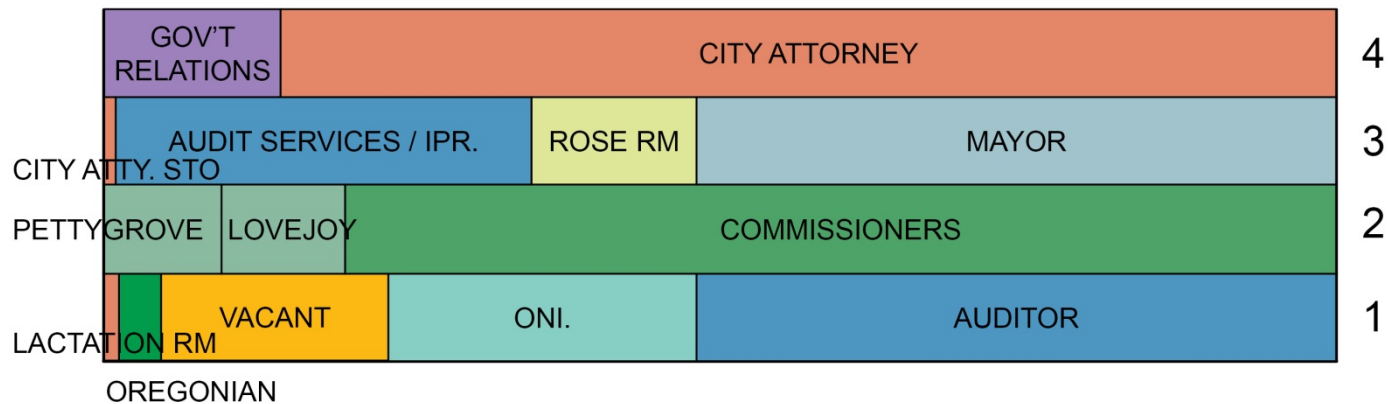




Current City Hall

Typical Floor Plate: ~16,000 RSF
 Total Occupied Space: 71,318 RSF
 Vacant space: 3,489 RSF

FY12/13 Avg. cost - \$16.02/RSF





Current Portland Building

Typical Floor Plate: 23,877 RSF

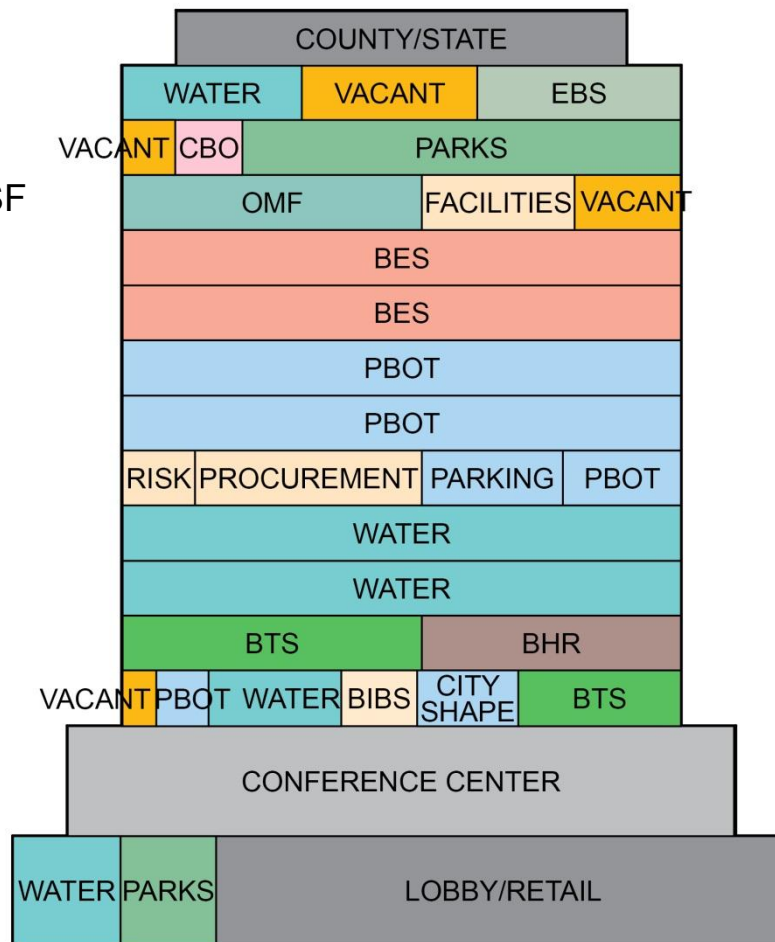
Total Occupied Space: 378,037 RSF

•Owned space: 354,160 RSF

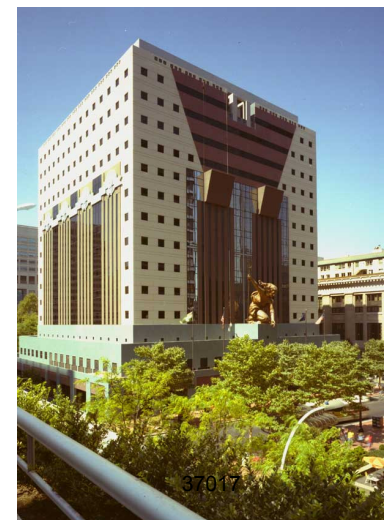
•Leased space: 23,877 RSF

Vacant space: 6,569 RSF

FY12/13 Avg. cost - \$16.76/RSF



15 ←
14 ← Leased



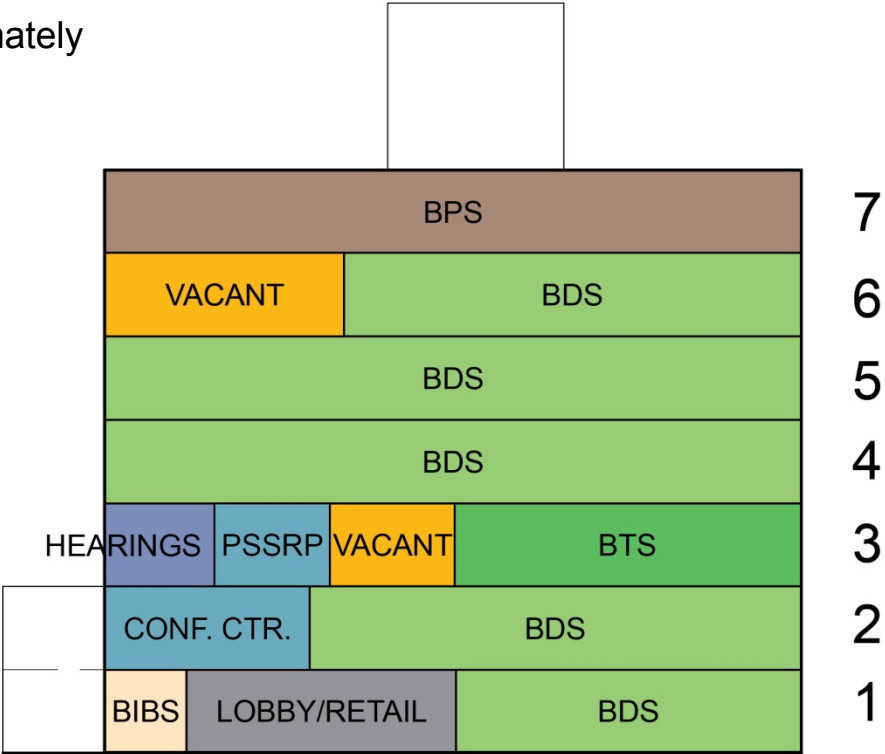


Current 1900 Building

Typical Floor Plate: 22,925 RSF
 Total Occupied Space: 143,293 RSF
 Vacant space: 14,566 RSF

FY12/13 Avg. cost \$30.72/RSF*

*Rent reduced by approximately \$15/SF in 2018.





Current Kelly, Sears & ECC Buildings

Kelly Building

Total Owned Space: 38,726 RSF
 Vacant space: 3,578 RSF
 FY12/13 Avg. cost \$16.50/RSF

WATER	ONI	POLICE	2
VACANT	POLICE		1

Jerome Sears Westside Operations Center

Total Owned Space: 24,000 RSF
 Vacant space: 20,000 RSF
 FY12/13 Avg. cost \$16.50/RSF

VACANT		2
WATER	VACANT	1

Emergency Coordination Center

Total Owned Space: 28,000 RSF

	2
SPACE COMPLETED OCTOBER 2013	1





Summary

- The City owns approximately 620,000 SF of office space, which is 95% occupied resulting in vacant space of 40,000 SF at an annual cost of approximately \$778,000.
- Under the Current space use configuration, by 2016 the city will be spending an estimated \$2,300,000 annually on 99,000 SF of leased office space.
- The Audit Report of Downtown Office Space recommended strengthening and clarifying existing policies around office space utilization, and have Facilities Services institute some administrative improvements.
- Leased space cost continues to increase and market projections suggest a continued rising trend.
- Historic information shows that the best way to control City's space costs is through ownership.
- Based on our survey information from each Bureau, the five year outlook does not show significant growth within City Bureaus.
- Vacant space reduces Major Maintenance reserve funds which are already significantly lower than the 3% target rate needed to maintain the City's building assets.
- Out-leases are set to expire in the 2 months to 4 year range. The proposed plan will bring out-leases into City owned space in a planned and systematic process.





Present the City's five year office space use proposal





Moving Forward

ACTIONS TO REDUCE THE NEED FOR LEASED SPACE

- Use existing City space to relocate City operations from leased spaces to vacant City space.
- Expand the portfolio of City owned space to relocate City operations from leased spaces
- Adopt standards for space allocation to better utilize space
- Establish a cooperative partnership with Multnomah County to consider multi-agency co-locating and co-development opportunities





Moving Forward

- Use City owned vacant space of approximately 40,000 square feet
- Expand Portfolio of City owned space:
 - Explore the option to purchase the 14th and 15th floors from Multnomah County
 - This could add approximately 41,000 square feet
- Relocate City operations to City-owned space as private leases expire

Occupant	Property	Expiration	Square Feet
Water	Portland Building	6/30/2013	8,259
OMF (EBS)	Portland Building	6/30/2013	7,270
PBEM	Congress Building	6/30/2013	3,912
OMF (Revenue)	Columbia Square	5/31/2015	25,650
Children's Fund	Spalding Building	5/31/2015	1,283
PHB & OEHR	Commonwealth Building	10/31/2016	20,103
BES	Pioneer Tower	11/30/2016	16,754
FPD&R	Harrison Building	7/31/2017	8,060
Total			91,291





Moving Forward

DEVELOPING SPACE STANDARDS

- Currently there are no city-wide *adopted* standards for space use.
- The average space use per employee (including aisles, file storage, meeting rooms, etc.) is 210 SF.
- Industry Best Practice for office space use per employee is 190 SF and trending downward.
- Some Bureaus within the City are currently utilizing space use designs which meet and exceed the downward trending Best Practices by:
 - New workplace strategies, such as hoteling and shared workstations results in fewer workstations
 - Smaller informal meeting spaces lead to fewer large conference rooms
 - New smaller technology results in smaller workstations
 - Reduce paper file storage by 25%
- New Guidelines emphasize:
 - *Equity* – space is allocated, renovated and built in an equitable manner throughout City of Portland properties
 - *Consistency* – use of consistent practices in allocating, renovating and building out space
 - *Efficiency* – development of existing space and future space is utilized in the most efficient way possible
 - *Flexibility* – space is planned to meet current needs, to anticipate future needs, and to ensure the ability to modify spaces in the future
 - *Sustainability* – sustainable practices are encouraged, from the planning phase through procurement
- Increasing space use efficiency by as little as 10% adds significant growth potential within our existing footprint.





Show a coordinated
plan to end the use of
out-leases over the
next five years





Conceptual Space Restacking Plan

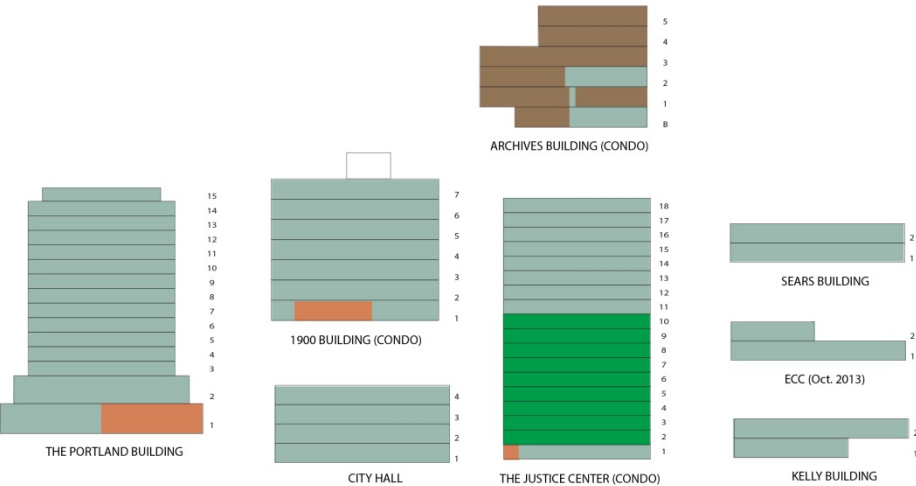
- There are many ways to implement these recommendations
- Commitment to keep the Bureaus looped into the process
- Coordinate with lease schedule
- Address current and projected space needs
- Minimize moves/costs
- Maximize adjacency
- Flexibility to meet future requirements



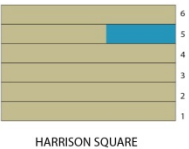


Proposed 2016 City Occupancy

2016 - City Owned Buildings Occupancy



2016 - Out Leases in Privately Owned Buildings



LEGEND

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- City Leased Space
- Multnomah County
- Non-City
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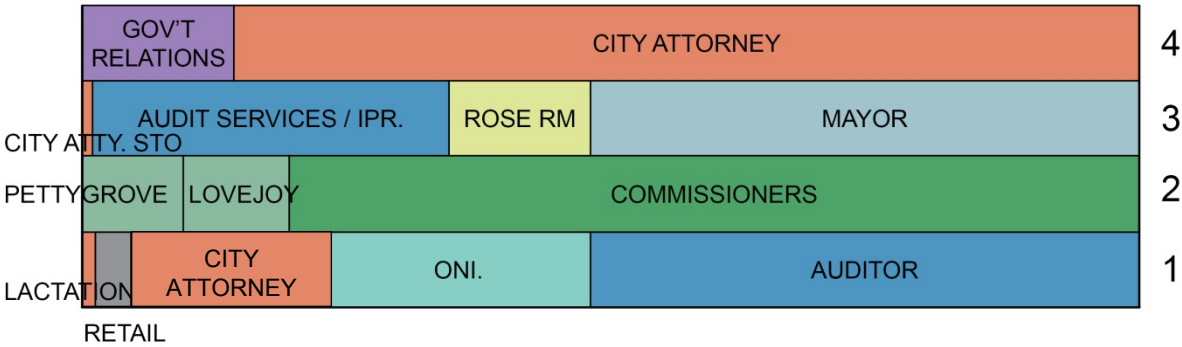




City Hall (Concept)

Office space moves 2013-2014

- City Attorney expands into vacant 1st floor space





Portland Building (Concept)

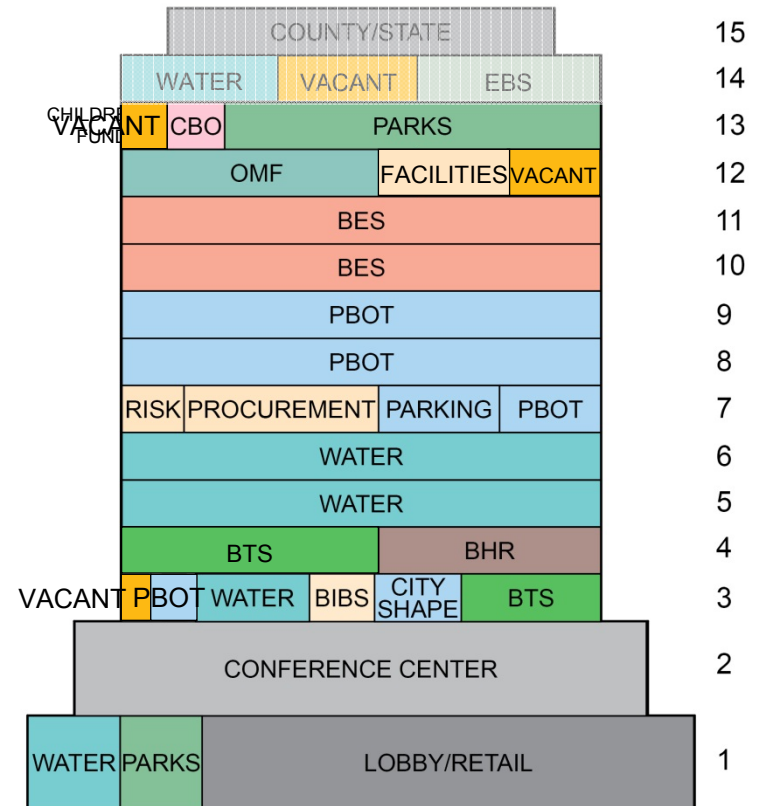
Office space moves 2013-2015

FY 13/14

- City purchases 14th & 15th floors
- Water swaps with BTS
 - Water reduced to 8,259 SF
- Facilities moves to the 4th floor
- EBS moves from the 14th floor to the 12th floor

FY 14/15

- BTS moves from the 1900 Bldg. to the 14th floor
- Children's Fund moves from the Spalding Building to the 13th floor

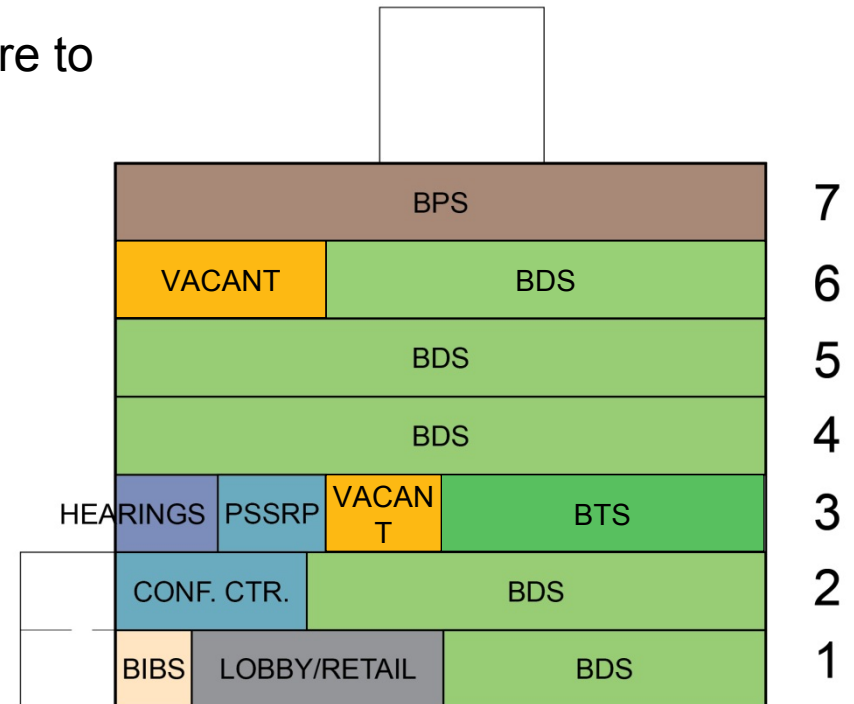




1900 Building (Concept)

Office space moves 2014-2015

- BTS moves to the Portland Building
- BDS moves from the 6th floor to the 3rd
- Revenue moves from Columbia Square to 6th floor

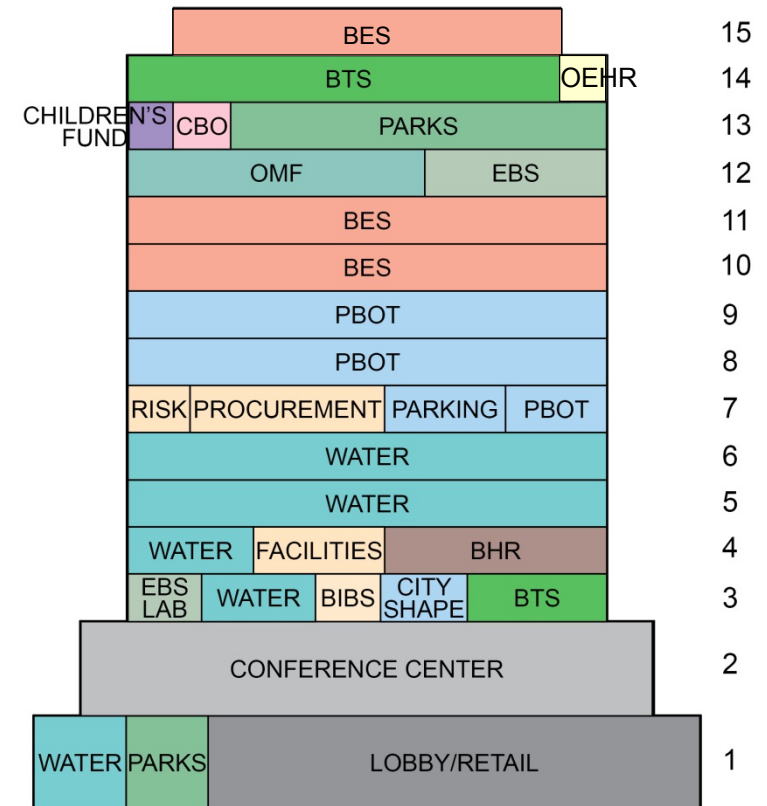




Portland Building (Concept)

Office space moves 2016-2017

- County / State vacates 15th floor
- BES moves into the 15th floor from Pioneer Tower
- OEHR moves from Commonwealth to the 14th floor

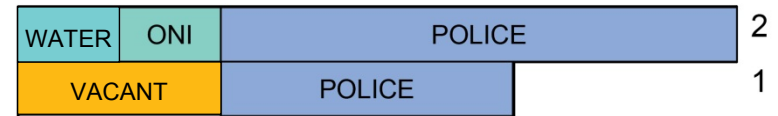




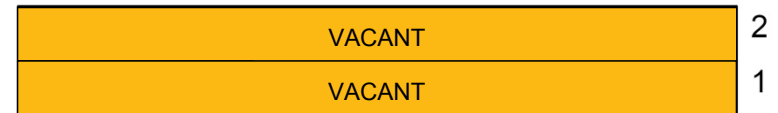
Kelly, Sears, ECC Buildings (Concept)

Office space moves 2013-2014

- PBEM moves from Congress Building to ECC
- Water moves from Kelly Building to the ECC
- Water moves from the Jerome Sears Building to the ECC



Kelly Building



Jerome Sears Westside Operations Center

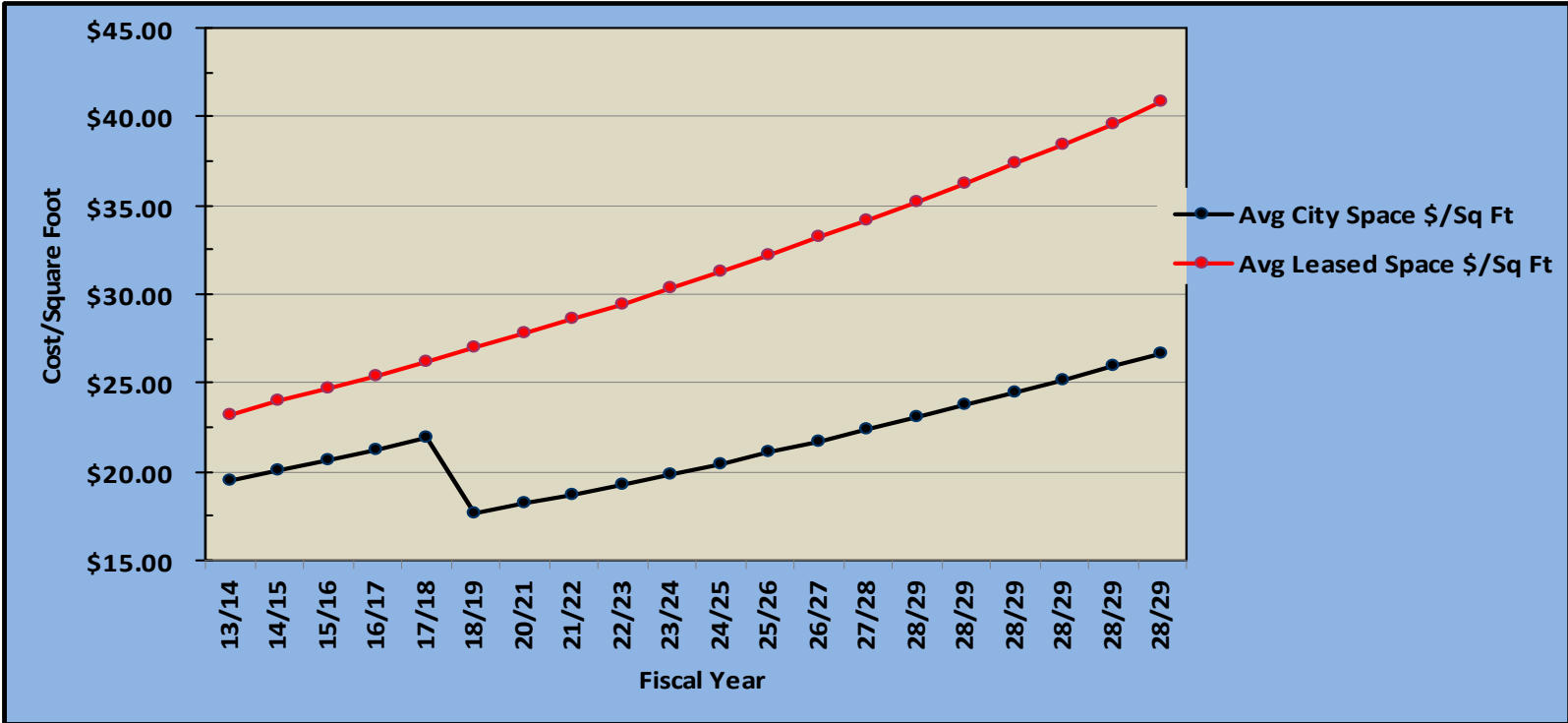


Emergency Communications Center





Average Lease Cost vs City Owned Cost



In 2013/14, the difference is \$3.73/sq ft, for a total \$283,000

Difference over five years is \$1.46M and ten years \$5.0M





Financing Approach

- One-time investment
 - Space acquisition
 - Tenant improvements
 - Move costs
- Financing Approach
 - No Additional General Fund requirement
 - Multi-year financing
 - Finance acquisition and move costs
 - Savings will repay financing





Next Steps





Next Steps

- Explore the purchase of 14th and 15th floor from Multnomah County
- Finalize Space Plan and Space Standards
- Develop a financing plan
- Present to Council for Approval
- Implementation of Space Plan and Space Standards

