

IMPACT STATEMENT

Legislation title: Direct the Office of Management and Finance to develop office space rates for specific City-owned or City-leased facilities located in the Central Business District to achieve rate equalization.

Contact name: Ken Rust, Chief Financial Officer, Bureau of Revenue and Financial Services

Contact phone: 503.823.6953

Presenter name: Ken Rust

Purpose of proposed legislation and background information:

The City has policies which prioritize locating City employees in City-owned buildings first, and secondarily in non-City owned buildings listed in the National Historic Register. City bureaus with offices in the Central Business District pay different rates for office space, depending on which City-owned or privately-owned facility they are located in. Decisions on where bureaus are located are determined based on a variety of factors – availability of City-owned office space; proximity to City Hall or to partner bureaus; past practices; etc. Decisions about which bureaus are located in City-owned or City-leased office space in private buildings should be based on the City’s overall needs, not the individual bureau’s needs. While the decision on location may have a cost “benefit” or cost “penalty” for the bureau, the financial impacts may not be within their control. For example, the Portland Building has not always been able to accommodate current tenant bureaus’ expansion needs, leading to out-leases at higher rates than those currently charged at the Portland Building. At current rates, other bureaus could “save” money by moving out of the 1900 Building; however, the City as a whole would continue to have to pay for that vacated space, resulting in increased overall costs associated with such a decision.

City-owned buildings have historically charged rates (operations and maintenance, reserves, debt service, etc.) based on the specific costs associated with those buildings on a property by property basis, which may fluctuate up and down significantly over time. For tenants in privately-owned offices, lease rates are primarily determined by the private landlord and are based on a variety of factors including: age, type of property, and underlying market conditions. These market conditions include an increase in rates based on what the market can bear and decreases when there is greater supply than demand and properties are competing for tenants.

Historically, the variance among bureaus for what they pay in office space rates has created challenges and inequities that have long been recognized. As a result, rate equalization has been discussed in the past as a means by which to address these problems.

With recent decisions by City Council to undertake the reconstruction of the Portland Building, rate equalization has re-surfaced as an issue and option to consider. In addition, as part of the Portland Building Reconstruction project, OMF Facilities needs to establish specific assumptions and commitments about which City bureaus and employees will be located in the Portland Building when reconstruction is complete.

Financial and budgetary impacts:

The resolution directs OMF to develop a rate methodology to achieve rate equalization. There is no immediate financial or budgetary impact, and no new staff resources are needed to develop the rate methodology. If and when Council adopts a rate methodology and schedule to achieve rate equalization, there would be an impact to bureaus' budget appropriations and expenses.

The stated objectives of a rate equalization methodology are to provide greater long-term financial and budgetary stability, ensure a more consistent level of service between City-owned and leased space, and improve the ability to plan for and undertake building improvements and upgrades on a timely basis.

Community impacts and community involvement:

The community is not directly impacted by the rates that City bureaus pay for office space, whether those rates are equalized or vary from facility to facility.

Budgetary Impact Worksheet

Does this action change appropriations?

- YES: Please complete the information below.
- NO: Skip this section

| Fund | Fund Center | Commitment Item | Functional Area | Funded Program | Grant | Sponsored Program | Amount |
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*MOTION FAILED***Moore-Love, Karla**

From: Crail, Tim
Sent: Tuesday, October 20, 2015 4:50 PM
To: Moore-Love, Karla; Parsons, Susan; Council Chiefs of Staff
Cc: Scott, Andrew; Miller, Fred
Subject: Amendment on Item 1063

Importance: High

Commissioner Fritz intends to offer an amendment on Item 1063 to change the implementation date from FY 2020-21 to FY 2017-18.

It will now read:

“BE IT FURTHER RESOLVED, OMF shall develop a schedule to achieve equalized office space rates no later than FY 2017-18.”

Tim Crail
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Chief of Staff
Office of Commissioner Amanda Fritz

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