

# Project Charter

## Facilities Portfolio Renegotiation & Optimization

<b>Title</b>	Improving Government Real Estate Initiatives (Amended charter 6/11/2013)
<b>Sponsor</b>	Patrick Allen, Director of the Department of Consumer and Business Services Mike Stencel, Administrator of Enterprise Asset Management, DAS
<b>Project Mgr</b>	Christal Lee, Strategic Initiatives Project Coordinator, Office of the COO Shannon Ryan, Real Estate Services Manager, Enterprise Asset Management
<b>Project Leads</b>	Eric Grindy, Senior Real Estate Transaction and Portfolio Manager, Enterprise Asset Management
<b>Problem Statement &amp; Project Purpose</b>	<p><b>Problem Statement:</b> Leasing practices and space utilization of the state is not aligned with contemporary practice, and rental rates are not consistent with current market conditions. In many cases, the state is paying over market for leased space. The private sector, other states and the federal General Services Administration (GSA) have adopted business practices responsive to changes in the market as well as innovative utilization of office and warehouse space. The state must develop and adopt similar business practices.</p> <p><b>Purpose:</b> To comprehensively analyze and evaluate current real estate portfolio and facility utilization and to make recommendations to capture cost savings, make efficiency gains to shrink the current footprint eliminating wasted space, and to encapsulate those findings into an equity model for additional state-owned assets in all markets. Simultaneously, the purpose is to create a more efficient workspace for state employees at an enterprise level.</p>
<b>Financial Objectives</b>	<p>The total cost of the project is \$465,572. Original estimate was \$290,650. Additional costs (i.e. \$181,000) are part of the expanded scope in the first initiative that includes extending the Leland Consulting contract through June 30, 2015 to monitor and assist with a statewide culture shift utilizing best practices.</p> <p>Estimated Costs for Initiatives:</p> <ul style="list-style-type: none"> <li>• First initiative - \$297,818;</li> <li>• Second initiative - \$102,843; and       <ul style="list-style-type: none"> <li>○ (Completed as of April 30, 2013; under budget: \$97,879)</li> </ul> </li> <li>• Third initiative - \$70,990       <ul style="list-style-type: none"> <li>○ (Completed as of April 30, 2013; under budget: \$69,875)</li> </ul> </li> </ul> <p>Budget under runs for the second and third initiatives were redistributed to the budget for the first initiative. Work related to lease renegotiation will be built into leases and paid by landlords.</p>
<b>Funding Source</b>	DAS Real Estate Services

**Expected Results**

**Expected Results:** To utilize recommendations to inform priorities for improving efficiency and effectiveness of enterprise real estate portfolio, work space consolidation and paradigm shift, and to serve as the foundation for the state’s real estate management framework yielding compounding savings over, at least, the ensuing 20 years. In doing so, the initiatives are preparing Oregon for a sustainable and prosperous future.

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 Project Success Measures**

**Success Measures:**

- Renegotiation of 12 large leases to maximize savings by December 31, 2013;
- Renegotiation of the remaining 39 large leases by June 30, 2015;
- Decrease cost per sq/ft average per employee in large leased facilities by June 30, 2015;
- Decrease annual lease costs up to \$5 million; and
- Best practices process developed and fully embedded into the culture of leased state property

**Implementation Timelines, Expected Duration, & High Level Milestones**

All three initiatives will be conducted simultaneously. Key milestones and start dates include:

- November 10, 2012 – Project kickoff
- December 15, 2012 – Opinion of preliminary findings
- February 15, 2013 – Draft findings and recommendations due
- April 1, 2013 - Contract amended to change project scope on the first initiative
- April 30, 2013 – Final reports on second and third initiatives
- June 3, 2013 – Broker contract for first 12 large lease negotiations begins
- June 28, 2013 – Cross-agency leasing workgroup kickoff
- July 15, 2013 – Broker contracts for remaining 39 large lease negotiations begin
- July 15, 2013 – Property tracker (with cost savings metrics) developed
- September 1, 2013 – Lease negotiation process established
- October 1, 2013 – Training developed for lease negotiation process
- October 15, 2013 – July 15, 2015 – Leland quarterly status reports to Improving Government
- December 31, 2013 – 12 large lease negotiations substantially finalized
- June 30, 2015 – Remaining 39 large lease negotiations substantially finalized

**Alignment**

This project aligns with the “Improving Government” policy outcome area, as specified in the governor’s 10 Year Plan for Oregon.

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**Initiative #1:** Analyze, review, and audit all existing leases over 10,000 square feet for renegotiation opportunity, alignment with existing market, recapture of over-charges, operating expense reconciliation, sublease or downsize and partitioning opportunities; incorporating findings learned from the second and third initiatives. Establish a lease negotiation/relocation/renewal process that addresses the State's major leases (10,000 sq ft or more) that are anticipated to expire on or before June 30, 2015, as well as other important major leases identified by the State. Look for opportunities to implement best practices and strategic planning. Provide training and facilitation to the state agencies to adopt more efficient work space planning and general cultural shift to more modern work practices. Additional scope was added to include Leland working with agencies through June 2015 to help develop strategies for their specific facilities that will contribute to the overall enterprise-wide long-term facilities plan.

*Not in Scope:* Enterprise-wide long-term facilities plan is not included in the scope of this project. DAS, Office of the Chief Financial Officer will work on the long-term planning effort.

**Scope**

**Initiative #2:** Survey and analyze all existing occupied space both owned and leased for opportunities to:

1. Reconfigure to capture vacant work spaces and common areas;
2. Move users from higher priced space into lower priced space; and
3. Reconfigure with different work group layouts

This initiative's goal is to identify cost savings through increased productivity and lower facility overhead together with increased revenue through optimization of office, warehouse and parking spaces throughout the enterprises' portfolio. (Completed as of April 30, 2013)

**Initiative #3:** Analyze potential pilot locations (e.g. Bend or Eugene) for underlying economic and other issues surrounding purchasing a campus location to house state offices. This initiative was informed by the previous two and with the intent the outcome of the analysis will be entirely self-funded and sustained through agencies' budgeted lease payments being redirected into equity. This initiative was reduced in scope to maximize efforts within the first initiative and act immediately to renegotiate the 12 large leases expiring before December, 2013. The final deliverable was reduced from a specific state portfolio financial analysis of an actual community (e.g. Bend) to a theoretical discussion of lease vs. own principles (i.e. cost and benefits of owning vs. leasing) report. (Completed as of April 30, 2013)

**Customer Impact**

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**All Initiatives:** The initial analysis (i.e. second initiative) will not impact customers, with the exception of site visits. Field staff will be largely un-effected by such visits, however, may need to be prepared to answer the consultant's questions regarding work place function and practices. The implementation of the results of the first initiative may result in some moves or densification and will require the engagement of nearly all agency personnel. There are no customer impacts for the third initiative.

# Project Charter

## Improving Government Real Estate Initiatives

**Key Stakeholders**

**All Initiatives:**

1. Enterprise Leadership Team and the Improving Government Steering Team;
2. Department of Administrative Services Executive Team, Enterprise Asset; Management Real Estate Services, Office of the Chief Financial Officer;
3. Directors and staff for most agencies;
4. Private property owners and representation; and
5. Local municipalities and counties

**Project Approach**

**All Initiatives:** Employ the services of the consultant and brokers to complete the independent analysis, evaluation, recommendations, and negotiations for 51 large leases on behalf of the State of Oregon. Cross-agency workgroup comprised of facilities directors will be formed to adopt and roll out work space utilization best practices recommended by Leland. Workgroup will: create a standardized process and training for agencies to acquire and utilize workspace; and, function as a rapid response deployment team that will assist agencies with workspace resource-related needs. Leland will: oversee the renegotiation process of large lease facilities; help agencies develop strategic facility plans; and, present workspace best practices and opportunities for growth to Improving Government quarterly through June 30, 2015.

**Major Project Risks**

- Analysis may reveal less than expected cost savings;
- Market forces may negate potential savings;
- Enterprise cultural shift may not progress as swiftly as desired;
- Negotiating/Contracting with brokers may take longer than anticipated;
- Project delays decrease potential cost savings due to loss in time to renegotiate leases;
- Negotiations with landlords may encounter issues resulting in lower than projected savings; and
- State agencies may not fully support/cooperate in the culture shift

**Risks of not doing the project**

The primary risk of not completing this project is the continued under-utilization of real estate space and resources below a maximum degree of efficiency. Ultimately this means foregoing potentially substantial cost savings.

<b>Sponsor Approval Signature</b>	Signed _____	6/11/13 _____
	Patrick Allen, DCBS Director	Date
	Signed _____	6/11/13 _____
	Jeanette Fish, DAS Administrator	Date

# Project Charter

## Improving Government Real Estate Initiatives

**Approved Project Change Requests:**

*(see Project Change Requests for details)*

<b>Change #</b>	<b>Date</b>	<b>Person</b>	<b>Change Description</b>
1	04/11/13	Scott Chalkley	Decrease scope for initiative #3: The final deliverable reduced from a specific state portfolio financial analysis of an actual community (e.g. Bend) to a theoretical discussion of lease vs. own principles (i.e. cost and benefits of owning vs. leasing) report.
2	04/11/13	Scott Chalkley	<p>Increase scope for initiative #1:</p> <ul style="list-style-type: none"> <li>• The final deliverable was increased to include the negotiation of 51 large lease properties that have leases expiring before June 30, 2015. Original scope included only 12 large lease properties with leases expiring before December 31, 2013.</li> <li>• Leland’s contract was extended through June 30, 2015 to: help agencies develop strategies for their specific facilities; monitor and assist with the culture shift utilizing best practices; and reporting back to Improving Government quarterly on best practices and opportunities for growth.</li> </ul>
3	04/11/13	Scott Chalkley	Increase budget for initiative #1: The total cost of the project is \$465,572. Original estimate was \$290,650. Additional costs are part of the expanded scope in the first initiative (see change request #2 above). Budget under runs for the second and third initiatives were redistributed to the first initiative budget.
4	06/17/14	Christal Lee	Changed Sponsor to Brian King, Interim Administrator DAS Enterprise Asset Management
5	10/03/14	Christal Lee	Changed Sponsor to Mike Stencil, Administrator DAS Enterprise Asset Management