Space Consolidation Fund Status and Other Initiatives

As Required by Section 821 of Public Act 200 of 2012

Prepared for
Senate and House of Representatives Standing Committees on Appropriations. Subcommittees on General Government.
Senate and House Fiscal Agencies.

Department of Technology, Management and Budget
Real Estate Division
February 1, 2013

Public Act 200 of 2012 (Excerpt)

Sec. 821. The department of technology, management, and budget shall develop a plan regarding the use of the funds appropriated in part 1 for the space consolidation fund. The plan shall include, but not be limited to, the description of the proposed office space to be consolidated, the time frame for completion of the office space consolidation, the proposed itemized cost of the office space consolidation, the number of employees assigned to implement the office space consolidation, the contracts entered into for the office space consolidation, and any other information the department deems necessary. The plan shall be distributed to the senate and house of representatives standing committees on appropriations subcommittees on general government, as well as the senate and house fiscal agencies, by February 1.

Department of Technology, Management and Budget

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Introduction

Public Act 200 of 2012 (Act) created the Space Consolidation Fund (SCF) and appropriated $7 million to implement more efficient space standards, consolidate underutilized office spaces and reduce lease and other occupancy costs for State of Michigan agencies. The Act also requires the Department of Technology, Management and Budget (DTMB) to report on a plan for implementing the space consolidation by February 1, 2013.

The Act requires the following information be reported to the Senate and House of Representatives:

1. Description of the proposed office space to be consolidated.
2. Time frame for completion of the office consolidation.
3. Proposed itemized cost of the office space consolidation.
4. Number of employees assigned to implement the office space consolidation.
5. Contracts entered into for the office space consolidation.
6. Other information the department deems necessary.

In addition to the reporting requirements of the Act, the Appendices of this report contain additional information as requested by the House Appropriations Subcommittee on General Government Subcommittee.

Report Elements as Required by Public Act 200 of 2012

1. Initial Consolidation

The first building to be consolidated as a result of the SCF will be Constitution Hall in downtown Lansing. Most workstations in the building will be reduced to new standards while each area is reconfigured to eliminate unused offices and cubicles. The end result will be a significant increase in building capacity.

- The *Quality of Life* group, which includes the Department of Environmental Quality (DEQ), the Department of Natural Resources (DNR) and the Department of Agriculture and Rural Development (DARD), will be consolidated within Constitution Hall.
- DEQ and DARD personnel currently in Constitution Hall will remain, but will reduce their current office space.
- DNR personnel, currently in the Mason Building, will move directly to Constitution Hall, freeing Mason for additional tenants from leased and State-owned spaces.
- Approximately two, full additional floors in Constitution Hall will be made available to a large program currently housed in leased space.
- Some DTMB-Information Technology (DTMB-IT) and Licensing and Regulatory Affairs (LARA) staff currently in Constitution Hall will move to other spaces, most likely to the Mason Building.
- Other minor moves may occur to consolidate cooperative programs currently housed in Mason, Cass and leased spaces.

The space optimization effort will include substantial upgrades to workstations and the office environment to make the smaller space more productive. These upgrades include:

- WiFi throughout the buildings.
- Additional seating in collaboration/break-out areas.
- Additional conference rooms, including small spaces for manager/employee meetings.
- Improved telecommunications and video equipment in shared conference rooms.
- Improved workstation components.

2. Time Frame:

The Constitution Hall space optimization project is expected to take 18 months to complete, including moving all outside groups into the building. The project formally kicked off in December 2012, with completion no later than early August 2014.

3. Cost Estimates:

Itemized, preliminary estimates.

Preliminary Consolidation Estimate
Subject to confirmation by contractor.

• Demolition and Construction	$600,000
• Electrical	$420,000
• Mechanical	$117,000
• Disassembly, reassembly, refurbishing and components for systems furniture	$3,500,000
• Move costs	$615,000
• Telecom/IT	$553,500
• Swing (Temporary) Space Rental	$580,000
• Permits, Fees and Contingency	$596,000
Subtotal	**$6,981,500**

Vacating the tenants of Constitution Hall offers the opportunity to complete upcoming maintenance and repair tasks, such as carpet cleaning or replacement. Accomplishing some of these items while the space is empty will reduce the cost and inconvenience of doing when the space is occupied. Further, the building will also be readied for maximum capacity to accommodate future file cabinet space reduction and corresponding occupancy increases.

4. Staff Assigned to Project:

Number of employees assigned to implement the office space consolidation.

Lead Staff:
Occupancy Manager (JC)
Project Manager (SU)

Supporting Staff:
Director, FBSA
Director, Real Estate Division
Director, Building Operations Division
Director, Design and Construction Division
Facility Managers and Supervisors (4)
Telecom (2)
IT (2)

Total: 14 on a part-time basis.

5. **Contractors:**
Contracts entered into for the office space consolidation.

Existing Contracts:
Interior Design Contractor: CBRE Inc./DBI Office Interiors
Furniture Contractor: DBI Office Interiors/Haworth

New Contracts:
Construction Management: CSM Group

The primary role of the Construction Management Company, CSM Group, will be to facilitate construction, design and electrical improvements and coordinate with a move management company. Jones Lang LaSalle was their chosen subcontractor who will organize the moves, communicate with impacted employees and facilitate the transition.

6. **Other:**
Other information the department deems necessary.

Revised Space Standards
After several months of agency input, in late 2012 DTMB revised office space standards for the first time since 1997. For the first time these standards would apply to all leased and State-owned spaces.

The revised standards reduce workstation sizes to reflect private industry trends. The standards are simplified, reducing the number of workspace/workstation categories from nine to four with the majority of personnel utilizing standardized cubicles. These standardized cubicles enable the reuse of spaces with minimal configuration between tenants. The use of more modern, modular furniture is used to improve natural light wherever cost-effective, or as new furniture is purchased.

- The 1997 standards listed five different size full-height offices with a maximum 400 sq.ft.
- The 2012 standards list one size, limited to Division Directors and above, with a maximum 225 sq.ft.

- The 1997 standards contained four different modular furniture designs up to 140 sq.ft.
- The 2012 standards contain only two modular sizes, with most employees having a maximum 64 sq.ft. However, managers 15-level and above will be allowed as much as 96 sq.ft. with restrictions.

Appendices

Appendix A: House General Government Subcommittee Priorities

The House Appropriations General Government Subcommittee provided a list of issues for consideration as DTMB evaluated offices for consolidation. Where possible, DTMB has provided information on each item below.

1) Use of Owned Versus Lease
   Response:
   - The average Lansing area leased office space is approximately $16.60 per sq. ft., including estimated utilities.
   - The average Lansing Building Occupancy Agreement (BOA) rate for DTMB-owned and managed spaces are $12.51 (typical: $12.31 per sq.ft.)
2) Vacating less- energy efficient buildings
   Response:
   - Through implementation of energy efficient building standards in new leased and State-owned buildings, as well as utilizing gross leases wherever possible, DTMB encourages building energy efficiency.
3) Placing complementary departments in close proximity
   Response:
   - As discussed previously, one of the major goals of the Constitution Hall Consolidation project is to combine the Quality of Life Group into one facility.
   - Also, please see: Appendix B: Additional Consolidation Projects
4) What near and long-term maintenance might be needed in a building.
   Response:
   - Dependent on the specific building in question.
5) Arriving at an office size that is comparable to current business standards
   Response:
   - Please see*: Revised Space Standards* on page 4 for details.
6) Arriving at as few different office configurations as possible.
   Answer:
   - Please see: Revised Space Standards on page 4 for details.
7) Where should offices be? Lansing? Regions? If Lansing, downtown? Secondary Complex?
   Response:
   The locations of offices is usually specific to the clients being served buy an agency. That said, wherever possible, DTMB is consolidating office in the downtown, capital area, and Secondary Complex to best utilize state-owned facilities and group agencies and related functions together.
8) What document and other storage is available nearby?
   Response:
   - Dependent on the specific building in question.
9) Providing shared hoteling spaces
   Response:

Shared hoteling spaces is growing with facilities located in Detroit, Escanaba and several leased facilities across the State.

10) What parking is available?

Response:

Parking for employees and customers is always a major factor in site selection.

11) What proximity to public transit?

Response:

Public transit accessibility is often a major factor in site selection for DHS and other agencies.

12) What is the local cost of living?

Response:

- Dependent on the specific building in question.

13) What other local aspects are attractive or detrimental?

Response:

Dependent on agency need.

14) What access to communications facilities?

Response:

- Installation of WiFi is a major component in creating more modern and function workspaces.
- Wherever possible, the State is seeking IT savings from shared T-1 lines.

Appendix B: Additional Consolidation Projects

Escanaba State Office Building

As a result of a study of the occupancy of the Escanaba State Office Building (ESOB) and surrounding leases, DTMB found that significant space reductions could result by utilizing the ESOB space more efficiently and consolidating additional staff into the building.

DTMB worked with all tenants to downsize workstations, implement hoteling stations and share rooms currently not being used on a daily basis. The Department of Human Services (DHS) now shares its training space with LARA to use as a hearing room. The Department of State (DOS) gave up storage space and DTMB relocated the building manager to the basement. DHS also began to utilize the smallest customer service workstations in any of their facilities.

As a result of this effort, DHS was able to cancel a nearby lease of $213,800 annually, reduced agency and IT costs, and offered a quick return on investment.

Gaylord

An ongoing project in Gaylord has presented an opportunity to consolidate seven leased facilities into one building. This includes four LARA leased facilities, one DHS facility, one Department of Military and Veterans Affairs (DMVA) and one DOS facility. Several of these leases were ending, while other agencies were dissatisfied with their space, so the opportunity arose to combine the project into one State of Michigan facility. Each agency also implemented the more modern space designs, thereby minimizing their footprint.

The project will create significant operational efficiencies, improve customer service and generate IT savings, while providing improved spaces for the State of Michigan programs. The total facility cost will be reduced by $55,000 per year.

Appendix C: Revised Space Standards

State of Michigan
Administrative Guide to State Government

0210.02 Office Space Standards

Issued: January 6, 1997
Revised: TBD

SUBJECT:	Office Space Standards.
APPLICATION:	Executive Branch Departments and Sub-units.
PURPOSE:	To establish uniform standards for office space within typical office environments.
CONTACT AGENCY:	Department of Technology, Management and Budget (DTMB) Facilities & Business Services Administration (FBSA) Real Estate Division (RED)
TELEPHONE:	517-335-6877
FAX:	517-373-9299
SUMMARY:	The following constitutes office space standards for state government.
APPLICABLE FORMS:	DTMB-0123 Special Services Request for DTMB-Owned Facilities DTMB-0618 Space Request

PROCEDURES:

DTMB RED:

- In cooperation with each agency, based on the standards below, develops agency-specific standards to accommodate the functional needs of each type of employee.
- In addition to standards for typical office environments, develops space standards for unique office environments, such as branch offices, customer service offices, posts, and parole offices.
- In cooperation with each agency, develops a program of space allocation, including total square feet and office workstation design.
- Determines space requirements and assignments in accordance with space use guidelines.

Agency:

- Provides information on staffing levels, equipment requirements, program adjacencies and business needs.

State Office Standards

- For most personnel, the standards for state offices in state-owned and leased facilities with open plan modular partitions are based on an average of 64 to 72 square feet.

- For 15- and 16-level managers and above with direct reports, the standards for state offices in state-owned and leased facilities with open plan modular partitions are based on an average of 64 to 96 square feet. Smaller (64 square feet) workstations will typically be coupled with consultation rooms for manager/personnel conversations. Larger workstations (above 64 square feet) will not include consultation rooms. Larger workstations will be placed in a location (typically end of row) that will minimize the impact on the entire floor space plan.
- State agencies are also encouraged to consider flexible and innovative space arrangements to minimize space usage, including sharing conference rooms among multiple programs, implementing hoteling for mobile workers, and utilizing teaming rooms to allow for reduced workstations.
- Floor-to-ceiling offices, open offices, and conference rooms will be located off the window walls (where feasible) to improve natural light distribution and HVAC circulation throughout a building.
- Floor-to-ceiling offices, when deemed essential, are recommended for Division Director level and higher with an average of 120 to 225 square feet. Exceptions will be based on functional needs to be determined in cooperation between DTMB and the applicable agency.

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