



Space Consolidation Fund Status and Other Initiatives

As Required by Section 821 of Public Act 59 of 2013

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 5, 2014

Public Act 59 of 2013 (Excerpt)

Sec. 821. The department of technology, management, and budget shall develop a plan regarding the office space consolidation project, including the use of the funds appropriated pursuant to 2012 PA 200 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 updated and distributed annually to the senate and house of representatives standing committees on appropriations subcommittees on general government, as well as the senate and house fiscal agencies.

Department of Technology, Management and Budget
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Introduction

Public Act 200 of 2012 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. Public Act 59 of 2013 requires the Department of Technology, Management and Budget (DTMB) to annually report on the plan for implementing the space consolidation.

PA 59 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.

Report Elements as Required by PA 59 of 2013

1. Consolidation Projects

The first building to be consolidated as a result of this appropriation is Constitution Hall in downtown Lansing. Most workstations in the building have been reduced to new standards while each area is reconfigured to eliminate unused offices and cubicles. The end result is a significant increase in building capacity. In order to combine like functions, reduce the cost of temporary space and reduce the number of department moves, the Constitution Hall restacking and Mason renovation projects were combined.

- Combined project will better consolidate a single large State-owned area instead of two, smaller spaces.
- When completed the results will consist of two buildings fully restacked and Mason fully modernized.
- Combined project could eliminate as much as \$5.3 million of annual leased space when complete.

Constitution Hall:

- Restacked and optimized workstations to be complete in Spring 2014.
- Vacated areas have allowed for the consolidation of most of the existing Constitution Hall and Mason tenants, as well as additional programs into Constitution Hall:
 - Quality of Life Group (DEQ, DARD, DNR)
 - DTMB Procurement
 - LARA Liquor Control Commission
 - Other Small Programs TBD.
- Total 2012 Occupancy: 1,000
- Quality of Life New Occupancy: 1,245
- Expected Occupancy for entire building, as high as: 1,800

Mason Building:

- Demolition began in January 2014, with completion targeted for Summer 2015.
- DNR and seven DTMB programs vacated the building.
- Building to be abated, fire suppression added, building rebuilt to conform with Americans with Disabilities Act (ADA), and all electrical and mechanical systems upgraded.
- 2013 Occupancy: 550
- Expected Occupancy as high as: 915
- When complete 204,000 usable square feet of space will be available for new tenants.

The space optimization effort will include substantial upgrades to workstations and the office environment to make the smaller space more productive. These upgrades included WiFi throughout the buildings, additional conference rooms, small spaces for manager/employee meetings and improved workstation components.

2. Time Frame:

Constitution Hall: Restacked and optimized workstations to be complete in Spring 2014.
Mason Building: Demolition began in January 2014, with completion targeted for Summer 2015.

3. Cost Estimates:

Constitution Hall Appropriation Allocation and Other Expenses

• Drywall	\$260,000
• Painting	\$61,260
• Plumbing and HVAC	\$1,333,840*
• Electrical	\$405,000
• IT Project management	\$60,000*
• IT Field Services “hook-up”	\$85,000
• Disassembly, reassembly, refurbishing and components for systems furniture	\$3,463,800
• Swing (temporary) space rental	\$631,000
• Move costs	\$317,000
• Permits, fees and staffing	\$525,000
• Design	\$292,560*
• Move management	\$228,000*
SUBTOTAL	\$7,662,460
• Disassembly, reassembly, refurbishing and components for systems furniture – DNR from Mason	\$1,418,000**
TOTAL	\$9,080,460

*A portion of each of these items includes costs not necessarily related to the original restacking project. Vacating the tenants of Constitution Hall has offered the opportunity to complete upcoming maintenance and repair tasks, such as plumbing, heating and cooling, carpet replacement and other items. Accomplishing some of these items while the space is empty reduces the cost and inconvenience compared to when the space is occupied. Portions of these items were appropriately paid from Building Occupancy Funds.

**Charged to Mason Building project. The original Constitution Hall consolidation budget was created for occupants coming from leased spaces with associated lease reductions. DNR moved from a State-owned building, so related lease reductions will not be realized until leases are cancelled for occupancy of Mason Building, once the renovation is complete.

4. Staff Assigned to Project:

Number of employees assigned to implement the office space consolidation.

Lead Staff:
Occupancy Manager

Project Manager
Budget Manager/Inspector

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: 15 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, is to facilitate construction, design and electrical improvements and coordinate with a move management company for both the Constitution Hall and Mason projects. 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 early 2013 DTMB revised office space standards. For the first time, these standards would apply to all leased and State-owned, DTMB managed 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 revised space standards can be found in **Appendix B**.

Appendices

Appendix A: Additional Consolidation Initiatives

Statewide

- Since January 2011, the State has eliminated:
 - 63 Leases/rental agreements.
 - 1,065,100 square feet of leased space.
(Equivalent to eliminating The House Office Building, the Farnum Building, Constitution Hall and the Mason Building combined.)
- The remaining portfolio including warehouse, laboratory and other leased spaces contains:
 - 484 leases.
 - 5,511,600 square feet of leased space.

Escanaba State Office Building, Escanaba

- Project complete.
- Former Occupancy: 30
- Current Occupancy: 84, including 12 hoteling stations
- Lease savings: \$214,000 annually

Gaylord Area Leases

- Project complete .
- LARA, DHS, the Department of State and Department of Veteran's Affairs offices combined into facility.
- Eight leases totaling: 26,290 square feet, being reduced to 23,725 square feet in one building.
- Combined expected reduction in occupancy and IT costs: \$190,000 annually. Other benefits include: shared common areas and shared retail exposure.
- MSP considering moving two offices into this complex.

Grand Tower, Lansing

- Project complete in spring 2015
- DHS-driven project, with DTMB assistance.
- Initial Occupancy: 975
- Expected Occupancy as high as: 1,225
- Project will eliminate 139,200 square feet of leased office and training space.
- Lease savings: \$2.2 million in annual rent spread over seven leased buildings. (Three leases already cancelled)

Cadillac Place, Detroit

- Project ongoing.
- Vacancy studies completed.
- DHS, LARA and others moving into building, allowing for lease cancellations.
- Designs underway to convert unimproved areas into additional office spaces.
- DHS Oakman facility moved into Cadillac Place in November, 2013 (See below).

Appendix A: Additional Consolidation Initiatives (continued)

Western Wayne County DHS

- Project in approval process.
- When complete, three Michigan Rehabilitation Services (MRS) Offices, one DHS Children's Protective Services office and one DHS General Services office currently in leased space will be consolidated into Cadillac Place and one other new lease.
- 80,423 square feet of lease space eliminated and replaced by:
 - 32,800 square feet of leased space.
 - 14,730 square feet of vacant space in Cadillac Place.
- When complete, lease costs will be reduced by \$361,000 annually.

Appendix B: Revised Space Standards

State of Michigan Administrative Guide to State Government

0210.02 Office Space Standards

Issued: January 6, 1997

Revised: February 12, 2013

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)

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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.
