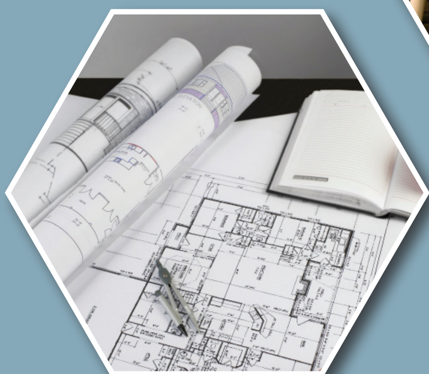

Office of Financial Management
STATE OF WASHINGTON

State of Washington Strategic Facilities Planning and Management System

Current System Assessment and Best Practices Report

FINAL: October 12, 2007

BERK & ASSOCIATES

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STATE OF WASHINGTON STRATEGIC FACILITIES PLANNING AND MANAGEMENT SYSTEM:

CURRENT SYSTEM ASSESSMENT AND BEST PRACTICES REPORT

EXECUTIVE SUMMARY

INTRODUCTION

The State Office of Financial Management (OFM) contracted with Berk & Associates to prepare a System Assessment and Implementation Plan for improvements to and additional oversight of the procurement and management of State agency office and warehouse space. This Implementation Plan defines OFM's oversight role, its relationship to the work of the Department of General Administration (GA), and delineates specific actions to meet the oversight requirements of Substitute House Bill (SHB) 2366.

The information presented in this Report was informed by interviews with a variety of stakeholders, review of available documents, best practices research in the private sector and other states, documentation and mapping of the existing facility processes, and current system assessment.

THE STATE'S CURRENT REAL ESTATE PROCUREMENT SYSTEM

The State's current approach to facility procurement and management is a hybrid, patchwork model that has evolved over time. While the State has some systems and policies which exist within the different agencies that are responsible for state agency housing, the State as a whole does not have an overall set of principles or policies to guide planning and evaluation of best options for agency housing. Consequently, different agencies have different approaches to facilities procurement and management and make different decisions about their real estate property assets and investments.

There are three systems in place for Washington State's real estate management:

- *GA* has the authority to lease, acquire, and dispose of real estate for most state agencies (except for higher education and agencies with real estate authority)
- *Higher Education Institutions* include State college and universities, which are responsible for leasing space for research or experimental purposes
- *Agencies with Real Estate Authority* include the State Liquor Control Board (authorized to acquire real estate for liquor stores and warehouses), the Departments of Fish and Wildlife, the Department of Natural Resources, the Department of Transportation, and the Parks and Recreation Commission. These agencies are authorized to acquire real estate for purposes other than the leasing of offices, warehouses, and real estate.

In the current system, there is no consistent approach to identifying and assessing space needs, and only scattered attempts at long-term facilities planning. DSHS instituted a long-range leased facilities planning process in the last two years and is still fine-tuning this process. Based on the research and interviews conducted for this project, no other agency has a consistent long-range planning process for their leased facilities.

Effectively, each agency makes a determination as to what kind of space is needed and the best way to procure it: either through the potentially lengthy capital budget process or through the shorter and simpler leasing process. Most facility space for agencies in the last ten years has been procured through leasing. Agencies identify their space needs as they arise either due to expiring leases, new or expanded programs, changes in service delivery, or other factors. Moreover, many agencies perceive that it is difficult to get the funds through the Capital Budget process.

BEST PRACTICES AND MODELS USED IN OTHER ORGANIZATIONS

Review of Private Sector Approaches

In an effort to gain an understanding of industry trends and best practices in commercial office and warehouse space management, Washington-based companies with complex real estate portfolios were contacted. The companies that were initially contacted were chosen for their size and significance, local presence in Washington, and complexity of their real estate portfolios. Five major firms were interviewed: Microsoft, Washington Mutual, PEMCO, Boeing, and Weyerhaeuser Company. From these interviews came the following findings:

- These companies employ a highly leveraged and highly outsourced model of real estate management that is not applicable to the State of Washington or to the public sector in general
- Real Estate managers unanimously acknowledge that the business plan must drive real estate decisions
- Each company has an approach in place to ensure that decisions made are in the best strategic and financial interests of the company

Review of Selected, Comparable Practices in Other States

In addition to review and assessment of internal agency structures within Washington and the private sector, best practice research was conducted on the practices in the States of California, Wisconsin, Iowa, Utah, and Virginia. These states were selected for study based on several factors: California for its leadership position in many state operational practices; Wisconsin and Utah for their similarity to Washington's relatively decentralized governance structure; and Iowa and Virginia, both of whom recently conducted similar studies on how to more effectively secure office and warehouse space for their state agencies. The following practices in place in other states may be worth considering as Washington State develops its new system:

- Create stronger partnerships between GA and client agencies with Agency Relationship Managers (ARMS)
- Strengthen the requirement to use state-owned space before leased space through statutory authority
- Create administrative support divisions in GA-type agencies to allow staff working on leasing, capital management and improvement, and maintenance issues to focus on non-administrative tasks and functions

SYSTEM ASSESSMENT AND OPPORTUNITIES FOR IMPROVEMENT

Current System Strengths

While there are several areas within the current Washington State real estate system that have been identified for improvement, there are also some processes and functions that are working well. Through interviews and evaluation of the current leasing and capital processes, the following system strengths have been identified:

- GA staff are knowledgeable about the real estate markets and generally efficient in processing lease transactions
- Some client agencies have established strong and healthy working relationships with GA
- GA is generally prompt and timely in sending out lease renewal notifications
- DSHS, GA's largest client agency, has been a pioneer in strategic planning for leased space
- GA encourages the use of environmentally-friendly building standards in major facilities
- Recently, GA and client agencies have been working to incorporate life-cycle cost analysis into the real estate decision-making process through use of the JLARC model
- GA has an Administrative Services Division dedicated to supporting other divisions (including the Facilities Division) much like the structure identified in other states as a best practice
- Higher education institutions have a formal planning process and coordinate capital facilities requests Statewide

Gap Assessment

While the system strengths demonstrate that some best practices are being achieved in the state of Washington, the analysis conducted also identified opportunities for improvement through a gap assessment. These finding show that:

- The current system is inconsistent and reactive
- The system encourages leasing as the fastest and easiest way to fulfill space needs
- There is limited linkage between facility space requests and operating budget process
- There is a lack of long range facilities planning
- Facilities data systems are fragmented and antiquated and lacks a systemic approach to asset management

Elements of a Well-Managed System

Based on the State's existing system and best practices in the public and private sector, the following elements of an effective and well-managed system are recommended for incorporation into Washington's proposed new system:

- Clear definition of roles and responsibilities
- Clearly documented and communicated policies and procedures
- Comprehensive facilities data collection and inventory
- Long-range facilities planning that is integrally linked to agency program and strategic planning
- Strategic facility planning support for smaller agencies
- Geography-based facility needs assessment and market analysis
- Life-cycle cost analysis of alternative options
- Oversight, review and approval for larger and higher risk facility proposals
- Standardized performance measures
- Two-way communication, including performance feedback from clients agencies to GA
- Adequate resources for long-range planning, transactions, and oversight

All of these elements have been incorporated into the Implementation Plan through specific action steps.

Implementation Plan

Based upon the assessment and findings detailed in this Report and the legislative direction included in SHB 2366, significant changes to Washington's system for procuring and managing State agency office and warehouse space are required. The ***State of Washington Strategic Facilities Planning and Management System Implementation Plan*** provides a framework to begin implementing the recommended changes. As an action-oriented plan that defines tasks, provides timelines, and assigns roles and responsibilities; it builds upon this Report and details how to execute the findings and recommendations contained herein. The Plan should be considered a companion document to this Report.

STATE OF WASHINGTON STRATEGIC FACILITIES PLANNING AND MANAGEMENT SYSTEM:

CURRENT SYSTEM ASSESSMENT AND BEST PRACTICES REPORT

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STATE OF WASHINGTON STRATEGIC FACILITIES PLANNING AND MANAGEMENT SYSTEM:

CURRENT SYSTEM ASSESSMENT AND BEST PRACTICES REPORT

1.0 INTRODUCTION AND PURPOSE

1.1 Study Purpose and Scope

The State Office of Financial Management (OFM) has engaged Berk & Associates to prepare a System Assessment and Implementation Plan for improvements to and additional oversight of the procurement and management of State agency office and warehouse space. This Implementation Plan defines OFM's oversight role, its relationship to the work of the Department of General Administration (GA), and delineates specific actions to meet the oversight requirements of Substitute House Bill (SHB) 2366.

SHB 2366, enacted by the 2007 Legislature, outlines requirements for a new and important role for OFM in planning and management and decision-making for agency office and warehouse space. The Legislation further requires development of an Implementation Plan to define the new systems, processes, structures, and relationships that will comprise an effective new system.

The purpose of this study is to provide an assessment of the State's current real estate practices and processes and to recommend improvements to be incorporated into an Implementation Plan. The Implementation Plan will serve as a roadmap for administering the recommendations and provisions of SHB 2366.

1.2 Summary of SHB 2366 Provisions

The provisions of SHB 2366 guided the analysis and development of the System Assessment and Implementation Plan. These provisions are summarized below (**Attachment A** includes a copy of SHB 2366 and the corresponding House Bill Report):

Implementation Plan

- The Legislature's intent is to **strengthen OFM's oversight role** in State real estate procurement and management practices. The focus will be on the State's analysis and decision-making processes and practices
- The plan, which is due to the Governor and the legislative committees by October 1, 2007, must identify **specific steps** to improve the management of acquisition, ownership, lease, and disposition of State office and warehouse space

Life-Cycle Model

- OFM is to **design and implement a cost-effective life-cycle cost model** by October 1, 2008 (based on the Joint Legislative Audit and Review Committee (JLARC) model). OFM must document model assumptions and rates; deploy it for agency use; update it periodically; and establish policies and procedures for its use by agencies, including the types of facilities and projects to which it applies

Modified Pre-Design Process

- OFM is to design and implement a **modified pre-design process** for agency space requests to lease, purchase or build space for (1) housing of new State programs, (2) expansion of current programs, and (3) relocation of current programs, including consolidation of agency programs. OFM must define the facilities that meet these criteria
- State entities need to submit modified pre-designs to OFM and the Legislature, including proposed locations, analysis of alternatives, and financial assessment. For projects of less than 20,000 square feet (sf), the agency can provide cost-benefit analysis instead of life-cycle cost analysis
- Projects with an estimated cost of more than $5M are not required to submit a modified pre-design. Instead, these projects meet the capital requirement for pre-design of major facilities projects documented in **RCW 43.88**
- Plans for major leased facilities must be submitted to OFM as part of the 10-Year capital plan

OFM and GA Responsibilities

- **OFM must approve** new or renewed leases for State Entities of more than $1M per year, except in emergencies. Proposals with operational savings must be documented, including fund sources and timelines
- OFM is to work with GA and all State entities to **determine long-term facility needs**
- OFM is to develop and submit a **6-Year Facility Plan** to the Legislature every two years beginning January 2009, including State agency space requirements and related information. GA is to assist OFM with the Facility Plans
- OFM is to continue to develop and maintain an **inventory** of all owned and leased space by State entities, publishing a report by October 1, 2010 and submitting it to the fiscal committees. This inventory must also include facility ownership. OFM is to recommend improvements to the inventory system, including accountability improvements, by September 1, 2008, and provide a schedule for such improvements
- GA must **consult with OFM** on property acquisition through leases, purchases, or other means
- GA is to submit to OFM and the Legislature an **annual report of all delegated leases**
- GA is to **report annually** to OFM and the Legislature on all executed leases for the year, including lease terms and costs
- OFM must approve all State lease agreements for **privately owned buildings** that are in the planning stages of development or under construction

1.3 SHB 2366 History and Key Issues with the State's System

In January 2007, legislative staff identified and detailed several concerns with the current process for State real estate procurement and management. These concerns have been amassed over the last two decades and center on several issues: limited confidence in the inventory data; difficulty in compiling clear lease data (including costs); concerns over agency use of alternative financing options; the reactive nature of many lease transactions; lack of longer-term facility planning; agencies not being accountable for additional facilities-related budget requests; and other concerns.

These concerns laid the groundwork for initiation of SHB 2366. Key questions from the staff assessment regarding the State's system and practices are summarized below:

- What tools and systems are in use in other organizations for real estate inventory management?
- What are the current processes for making leasing versus purchasing decisions and what improvements can be made to this decision-making process?
- How and when should the JLARC life-cycle model be used in the decision-making process for leasing versus buying? How should the model inform decision-making?
- What policies can be developed to assist with long-range planning of real estate needs? How can important decisions be made in a more timely fashion?
- What policies and processes can be put in place to improve communications between the client agencies, GA, and OFM?
- What analysis should be done to evaluate the agencies' space requests? Who should be responsible for performing it, and at what stages in the process? What are the appropriate analytical roles for the client agencies, GA, and OFM?
- How can the State's real estate needs be analyzed in view of impacts on the State's operating and capital budgets?
- What kind of OFM oversight of the State's real estate procurement and management is necessary? How is OFM oversight defined and how can it be best designed and implemented?
- The Legislature has mandated GA to consult with OFM in real estate matters. How should "consultation" be defined? What should a "consultation" process look like, and who should be involved?
- What are best practices for lease contract management and oversight? What tools and processes are in use elsewhere?
- What are best practices for staffing real estate procurement and management systems? What level of staff support is provided in other organizations?
- What are best practices for funding the State's real estate management and procurement services? How are such services funded elsewhere?
- How can the State ensure that lease transactions that have long-term fiscal implications are appropriately analyzed and decided upon? Who should be involved in review and approval of these transactions and agreements?

Additionally, the Bill Report for SHB 2366 lists the conclusions and recommendations from at least five studies and reports on the State's space utilization policies and practices completed since 1977. The report notes that all of these issues are pertinent today, and need to be addressed to make substantial improvements to the State's system:

- Short and long-term facilities plan analysis, development, evaluation, and implementation is necessary
- Clearly delineated and comprehensive State management policy of space utilization should be developed
- Comprehensive goals and objectives are needed
- Coordination between leasing activities, and capital facilities planning and budgeting should be improved
- Facilities space management and capital construction reporting system development to forecast growth and evaluate space utilization is necessary
- Delegated authority should be analyzed to assure that it provides the controls necessary for acquisition of leased space that is within stated standards and provides economical, efficient, and effective operation of state agencies
- Economic analysis of lease versus owned facilities is necessary

1.4 OFM Interim Process

In response to the requirements of SHB 2366, OFM hired a new staff member to lead the interim process and oversee the creation of the Implementation Plan. OFM also instituted an interim process designed to comply with legislative directive while the Implementation Plan was under development. The interim process is designed to get a handle on transactions in process and space needs that must be acted upon before new processes, roles, and responsibilities are created and implemented. The following is a summary of the Interim Guidelines with details to be found in **Attachment B.**

- GA is to provide a leasing worksheet to OFM on a regular basis, including, but not limited to, key information: the name of the state agency housed, square footage, current and negotiated lease information, and market conditions
- The requesting State agencies are to submit the Business and Facilities Summary (alternative name for "modified pre-design") to OFM. If the project is more than 20,000 square feet, completion of the JLARC Life-Cycle Cost Model is also required
- For leases greater than 10 years, the State agency is to complete the requested GA 10-Year Lease Justification Form; GA Director is to review this form and results of JLARC Life-Cycle Cost Model and forward to OFM for approval
- For all leases over $1 million for all State agencies, the appropriate Real Estate Authority will provide the lease terms and conditions to OFM with a justification memo. OFM is to review and, if appropriate, approve the transaction
- As soon as a building that meets the definition of a "building under development" has been selected, the appropriate Real Estate Authority will provide the lease terms and conditions to OFM with a justification memo. OFM is to review and, if appropriate, approve the transaction

Early on, OFM aimed to engage the agencies in the discussion and asked that each agency identify a representative to act as a point of contact. OFM also hired a staff person to become an in-house expert on JLARC life-cycle cost model and suggest possible improvements.

1.5 Study Approach

The recommendations presented in this System Assessment and Implementation Plan were informed by the following data sources and analysis:

Interviews. Working with OFM and legislative staff, a list of key stakeholders representing a variety of viewpoints were identified for interviews. Approximately 45 interviews were conducted with OFM, GA, State legislature, GA client agencies, agencies with real estate authority, higher education, and Government Building Owners and Lessors Association (GBOLA) members (see **Attachment C** for a complete list of stakeholders interviewed). Separate interview protocols were developed for each group and interviews were conducted in-person or by telephone. Information obtained from the interviews included: detailed descriptions of office structure and staff roles; overviews of planning and space request processes; perceptions of external working relationships (specifically with GA); and perspectives on the challenges and opportunities of operating within Washington's real estate system. For samples of the interview protocol documents used, see **Attachment D**.

Document Review. To gain a holistic understanding of the current real estate system, agency reports, and feasibility studies concerning issues such as co-location efforts, increasing State ownership of facilities, and regional planning initiatives were reviewed (some of which will be highlighted in further detail later in this Report). Internal office-level documents also were examined, such as organizational charts, process maps, and project status reports. Such documentation provided valuable insight into the operating practices at each agency, as well as how the system operates as a whole.

Best Practices Review and Assessment. An important part of the analysis was developing an understanding of the range of current practices, which involved examining how the private sector is conducting real estate-related business, as well as determining where Washington is located on the spectrum of real estate practices among other states. Two major best practices reviews were conducted:

- **Private Sector and Portfolio Management Practices.** Telephone interviews were conducted with five major firms that have significant space needs for their operations: Microsoft, Washington Mutual, PEMCO, Boeing, and Weyerhaeuser Company. While the Report acknowledges that fundamental differences exist between private industry and government, research on select firms provided a valuable overview of how some of the State's larger, well-established businesses are securing space and managing space planning processes for their various divisions and programs

- **Practice in Other States.** In conducting best practices research in other states, California, Iowa, Utah, Virginia, and Wisconsin were selected for study. Within each of these five states, telephone interviews were conducted with state staff, and documents such as policy manuals, organizational charts, and process maps were requested and analyzed. Questions that this research helped address included: How is Washington's real estate structure similar to, and different from, those operating elsewhere? What works well in other states, and under what circumstances? What trends and changes in program administration and governance have occurred in other states? What can be learned from how practices have evolved in other states?

Process Mapping. Workflow diagrams were created for three selected agencies (DSHS, ESD, and L&I) to better understand and compare different space request and management workflow processes (as well as how they overlap and are related), identify gaps as well as best practices areas, and serve as a foundation in creating the proposed Implementation Plan's structure and components.

Process maps were also prepared for the State's existing portfolio management system, showing the steps undertaken and highlighting the gaps in the system. A new process map was developed to diagram the proposed long-range strategic facility planning process, and another for the system recommended to implement the provisions of SHB 2366.

System Assessment. Based on the interviews, document review and best practices analysis, an overall system assessment is presented. This assessment includes an evaluation of the strengths, gaps and opportunities for strategic improvement in the State's real estate portfolio planning, management, and decision-making processes. Finally, the Report identifies key elements of an effective and successful system. These elements inform the proposed ***State of Washington Strategic Facilities Planning and Management System Implementation Plan***, a companion document to this Report.

1.6 Report Overview

This Report provides an assessment of Washington State's current real estate system and best practices employed in other states and organizations. It includes the following sections:

- Section 2.0 provides an overview of Washington State's current real estate system including roles and responsibilities of the State agencies involved, a brief history of other studies and reports that have been written on the topic of the State's real estate practices, and a description of relevant stakeholders and their viewpoints
- Section 3.0 presents an in-depth description of the State's current real estate system, describing and mapping the processes used by the State for space procurement. It details planning and procurement processes in place at certain large State agencies and at Washington's higher education institutions
- Section 4.0 describes and analyzes real estate procurement and management practices in place at large private sector companies and within other state governments. Where possible, it identifies best practices that may be relevant to Washington State
- Section 5.0 analyzes the current real estate system in Washington State in light of SHB 2366, identifying strengths to build upon and areas for improvement. It outlines the elements that are critical to a well-managed real estate system

2.0 OVERVIEW OF THE STATE'S REAL ESTATE MANAGEMENT SYSTEM

The State's current approach to facility procurement and management is a hybrid, patchwork model that has evolved over time. While the State has some systems and policies which exist within the different agencies that are responsible for state agency housing, the State as a whole does not have an overall set of principles or policies to guide planning and evaluation of best options for agency housing. Consequently, different agencies have different approaches to facilities procurement and management and make different decisions about their real estate property assets and investments. Moreover, the State has a complex mix of owned and leased property across the State—some new, some at the end of their useful lives.

This section describes the agencies that play an important role in the State's real estate management and procurement system, documents current system flows and practices, describes current system strengths and gaps, and summarizes current processes and practices in several of the larger State agencies including the Employment Security Department (ESD), the Department of Social and Health Services (DSHS) and the Department of Labor and Industries (L&I) as well as for the State's higher education institutions. For a complete list of acronyms used in this Report, refer to **Attachment E**.

2.1 Roles and Responsibilities

There are three systems in place for Washington State's real estate management: GA (and the agencies supported by GA), Higher Education Institutions, and other agencies that have separate decision-making authority for certain types of real estate.

- *GA* has the authority to lease, acquire, and dispose of real estate for most state agencies (except for higher education and agencies with real estate authority)
- *Higher Education Institutions* include State college and universities, which are responsible for leasing space for research or experimental purposes
- *Agencies with Real Estate Authority* include the State Liquor Control Board (authorized to acquire real estate for liquor stores and warehouses), the Departments of Fish and Wildlife, the Department of Natural Resources, the Department of Transportation, and the Parks and Recreation Commission. These agencies are authorized to acquire real estate for purposes other than the leasing of offices, warehouses, and real estate.

Department of General Administration and Division of Real Estate Services

Many State agencies use the services of the Department of General Administration (GA) for planning and construction management of new buildings and space management. As of July 2007, GA is organized into units that manage planning, design, and construction of new building space. **Attachment F** shows the high-level organizational structure of GA, while **Attachment G** presents a recent organizational chart for the Facilities Division (which includes the RES unit).

GA's Statutory Authority and Requirements. GA is responsible for providing real estate services to State agencies, boards, commissions, and educational institutions in accordance with **RCW 43.82**, and State Agency Housing, except those exempted by statute. Per the statute, GA is required to determine the location, size, and design of any real estate or improvements that it is responsible for.

However, this responsibility does not apply to the acquisition of real estate by agencies with delegated authority and the State's higher education institutions.

Major statutory requirements for GA pertinent to this study are:

- The Director of GA may adopt standards for facilities that must be approved by OFM. The Director of GA may grant exceptions to the standards and must report to OFM annually on the exemptions granted
- The Director of GA may enter into leases up to ten years in duration
- Upon determination that the life-cycle cost of leasing the facility is less than the life-cycle cost of purchasing or constructing a facility, the Director of GA may enter into leases between 10 and 20 years upon a determination by the Director of OFM that (1) the long-term lease provides a more favorable rate; (2) substantial certainty that the facility is necessary for use by the State for the full length of the lease term; and (3) the facility meets the adopted facilities standards
- The Director of GA is required to provide coordinated long-range planning services to identify and evaluate opportunities for co-locations and consolidations
- The Director of GA may construct new buildings or improve existing facilities on all real estate under GA management, with prior life-cycle cost analysis and other techniques to maximize project effectiveness and efficiency
- GA may delegate its real estate functions for acquiring space for agencies. The agencies are required to report all delegated leases to GA

Division of Real Estate Services (RES). Real Estate Services is part of the Facilities Division of GA, responsible for leasing and architectural services (including construction management), acquisition or disposition of State-owned properties, and other real estate transactions. RES is composed of the following units: Leasing, Design, Acquisition & Disposition, and Property Management.

RES provides real estate services to approximately 150 agencies, which are referred to as "RES client agencies." The Department of Social and Health Services (DSHS) is RES' largest customer, leasing and owning approximately 25% of the office space Statewide. RES manages approximately 11 million square feet and completes about 300 projects per year (lease renewals and new leases, property acquisitions, and space alterations). Almost half of all leases are less than 5,000 square feet.

RES Operations. The leasing group is entirely transaction-oriented and reactive to agency space requests. In many if not most cases, the requesting agency makes the lease versus own decision prior to contacting GA. Generally, by the time the space request is received by GA, the agencies have already organized themselves for leasing.

RES funding comes from services associated with lease renewals that are funded through a Facilities & Services cost allocation, and from fee-for-service revenues associated with new leases and acquisition and disposal of real estate. This structure leaves GA with a fluctuating and somewhat unpredictable revenue stream that can be difficult to manage. Over the years, GA and its client agencies have struggled with determining the appropriate fee schedule for leasing activities; a fee structure that will generate stable and adequate revenues for GA, correlate to the amount of work needed, and be financially feasible for clients.

Agencies with Real Estate Authority

Agencies with separate real estate authority include the State Liquor Control Board, the Department of Fish and Wildlife, the Department of Natural Resources, the Department of Transportation, and the Parks and Recreation Commission. RES assists some of these agencies with office and warehouse leasing, but they are also authorized to acquire real estate for other purposes, without RES involvement.

- ***The State Liquor Control Board*** is authorized to acquire real estate for liquor stores and warehouses.
- ***The Department of Fish and Wildlife (WDFW)*** maintains and manages about 900,000 acres of land which offer habitat to native animal species and provide recreational opportunities to State citizens. The Facilities Division within Business Services is engaged in office and warehouse real estate management that falls under GA jurisdiction. For office and warehouse spaces that are less than 7,000 square feet, the Department has delegated authority from GA for leasing. A separate Lands Division within WDFW deals with land procurement and management.
- ***The Department of Natural Resources*** acquires, manages, and disposes of all lands and resources within the Department's jurisdiction; much of it is land held in trust. Similar to WDFW, there is a real estate department that works for the land trust and a separate function that works on office and warehouse leases with delegation from GA.
- ***The Department of Transportation (WSDOT)*** acquires and disposes of state highway property. WSDOT Real Estate Services, under the Engineering and Regional Operations Division, handles all the right-of-way properties. WSDOT's Administration Division handles leased space. The Department has delegated authority from GA for leases under one year and 5,000 square feet or less.
- ***The Parks and Recreation Commission*** is responsible for the acquisition, disposal and leasing of park lands. The Real Estate Services Division within Capital Programs handles acquisition and disposition of Park-owned lands, as well as the leasing component. GA gets involved when the facilities are not located on Park land. The Commission has delegated authority from GA for small projects.

Higher Education Institutions

Higher Education Institutions refer to the six public, four-year baccalaureate institutions in Washington State. The State's higher education institutions operate under separate statutory authority (RCW 28B.10.020). Under State law, the Board of Regents (or the Board of Trustees, as the case may be) has full control of the University and its property of various kinds.

With respect to leasing activities, which with the exception of the University of Washington are limited, the Board of Regents or its designee has ultimate decision-making authority for leases. The Higher Education Coordinating Board (HECB), a ten-member citizen board responsible for administering the State's student financial aid programs and providing strategic planning, coordination, monitoring and policy analysis for higher education in Washington, has approval authority for the purchase or lease of major off-campus facilities. These include any off-campus facility larger than 6,000 square feet or with an annual lease cost greater than $60,000. On some occasions, higher education institutions will use the leasing services of GA/RES, but this is not usual.

With respect to capital projects, the Council of Presidents (COP), a body comprised of the presidents of the six institutions, coordinates efforts among the institutions. In consultation with the COP, the six institutions develop a single prioritized and ranked list of capital projects for the biennium through a collaborative negotiation process. This list is submitted to the HEC Board for approval, then OFM and finally the Legislature for funding decisions.

The state's community and technical colleges have a different role in the system. While some of their activities fall under the purview the HECB, they are collectively governed by the State Board for Community and Technical Colleges in lieu of Boards of Regents or Trustees. With respect to facilities procurement and management, the community colleges typically work with GA, much like other State agencies.

The Role of OFM

OFM provides financial and management support to the Governor's Office. Its mission is to provide "accurate, timely, objective information, fiscal services and leadership to support the Governor, Legislature, and state agencies to serve the people of Washington" (Office of Financial Management *2006 Strategic Plan*, p. 6).

In addition to the agency's core responsibilities in budget, policy development, and fiscal administration, OFM provides management oversight and leadership to State agencies on specific initiatives and programs. The agency's role has expanded in recent years, as the Legislature has transferred additional programs and responsibilities like Risk Management and Labor Relations under its purview. Increasing recognition within State government of the importance of program coordination, evaluation, enterprise thinking, and systems integration has also translated into greater responsibility and new roles for OFM.

OFM is involved at several key points in the current real estate system. OFM is responsible for approval of operating budget requests (including those dealing with facilities costs) and capital budget requests. OFM is also involved in review and approval of leases more than 30,000 square feet in size or with lease terms more than ten years. OFM also reviews each agency's 10-Year Capital Plans.

SHB 2366 mandated several new tasks for OFM, specifically in the area of facilities oversight and planning.

2.2 Previous Studies and Planning Efforts

In recent years, several studies have focused on State facility planning efforts, agency co-location, and space life-cycle cost analysis practices. It is important to note that most of the planning studies were centered on Thurston County, and did not address facilities planning on a Statewide basis. The key issues and conclusions of these studies are summarized below.

Thurston County Master Plan (Capitol Master Plan)

The original Capitol Master Plan (*The Master Plan for the Capitol of the State of Washington*) was developed in 1982 by General Administration, with an update published in 1991. The report set the goal of reducing the State's leased space to 20% and constructing almost four million square feet (sf) of new State-owned office space by 2010. The plan encompassed the Tumwater, Lacey, and Olympia areas.

The 2006 *Master Plan for the Capitol of the State of Washington* was another update of the previous Master Plan. The updated Master Plan contains the principles and policies that act as a framework for State facilities management. The Plan contains no implementation strategies or directives; instead, it is primarily a policy document. The Plan also identifies future development opportunities for State-owned properties that are either undeveloped or under-developed.

The Plan's Policy 2.2, Long-Range Planning by State Agencies (page 2-4), addresses the need for long-range planning for State facilities: "The State shall prepare a strategic, long-range development plan for State office facilities in Thurston County through the Department of General Administration and in consultation with state agencies and the capital area cities." It further states that the agencies are to prepare 6-Year projections of space needs and, based on that information, GA is to develop 6-Year Facilities Development Plans.

The Plan also designated Preferred Development Areas (PDAs) and Preferred Leasing Areas (PLAs) within the Cities of Olympia, Lacey, and Tumwater. These are the identified areas where the State should build and lease facilities.

Thurston County Lease and Space Planning (2000-2001)

In 1999, the Legislature directed GA to analyze future State office space needs in Thurston County over the next 10 years. The seven-part document, completed in December 2000, addresses the question of how and where State government should be housed in Thurston County over the next ten years. The first five reports assessed the current situation; report six summarized the findings; and the final report presented recommendations.

The study proposed a program of leasing, lease development, and State development to provide 800,000 sf of new office space to meet the State's projected needs. The recommendations outlined specific buildings to be built, when, and which agencies they will house. The study identified "priority agencies" for this 10-Year development program, which were to be housed at the planned facilities. These priority agencies were the Department of Health, Parks and Recreation, Labor and Industries, the Washington State Patrol, and a number of small agencies to be co-located. The study recommended that this development occur in the Preferred Development Areas and/or Preferred Leasing Areas.

Co-Location Studies

Over the years there have been several studies conducted that centered on co-location possibilities between the different State agencies. One such report was completed by GA in 1994, titled *Statewide Co-Location Study*. This report, mandated by the Legislature, was intended to provide the framework for state facility planning by analyzing which agencies could successfully co-locate based on common clientele, similar functions, or compatible operations. The report used a case study approach, with the primary study areas of Spokane, Tacoma, and Port Angeles.

Another co-location study, *Feasibility of Co-Location*, was conducted in 2005 by a work group consisting of staff from the Department of Revenue, Employment Security Department, and Department of Labor & Industries. The study assessed the potential for co-location of these three agencies to achieve better customer service and maximize return on expenditures.

The JLARC Studies and Life-Cycle Cost Model

In 1995, the Joint Legislative Audit and Review Committee (JLARC) conducted a performance audit of the State's capital planning and budgeting process, and developed a life-cycle cost model. The purpose of the model is to provide comparable information for decision-makers to consider when assessing leasing versus ownership alternatives for State facilities.

In 2006, JLARC conducted a study of the model's use in the past decade, and reviewed and updated the model with additional capacity and features. According to this study, from 1996 to 2006 a total of 65 State projects have been analyzed by GA using the model. The majority of these projects have the following common attributes: (1) agencies are occupying leased space and are considering purchasing or building State-owned space; (2) facility space needs are 30,000 sf or more; and (3) project costs are estimated at $10 million or more.

The study concluded that the State lacks specific policies and standards on conducting life-cycle cost analysis, lacks clear guidance on when and how to use the analysis, and has limited oversight and review of the results of life-cycle cost analyses in the capital project review process. In light of this conclusion, the report recommended that:

- OFM should maintain the updated life-cycle cost model and establish clear policies and standards regarding the use of the model in particular, and life-cycle cost analyses in general, as part of the State's capital project review process
- OFM should review all life-cycle cost analyses to ensure that the established policies and standards have been followed and that analyses have been conducted in a manner that is technically sound and accurate
- OFM should regularly update the cost assumptions in the life-cycle cost model

Currently, the lease versus ownership decision model is required for leases over 30,000 square feet or for projects using alternative financing approaches.

2.3 External Stakeholder Groups and Interests

A major stakeholder group interested in how the State procures and manages its real estate portfolio is the Government Building Owners and Lessors Association (GBOLA). GBOLA has an active presence in Olympia and meets regularly with key agency staff responsible for real estate procurement.

An initial project meeting was held with GBOLA at the outset of this study. The group discussed SHB 2366 and the process for producing the Implementation Plan. Following the meeting, Berk & Associates conducted five telephone interviews with individual GBOLA members. The following themes and concerns emerged from conversations with GBOLA members:

- The general belief is that the current system is working well; it has improved dramatically from ten years ago. GA has excellent staff that work hard in the best interests of the State and stay very engaged on transactions.

- GBOLA's concern with SHB 2366 and the Implementation Plan process is that it might make the leasing process more onerous and time-consuming than it already is. Landlords would prefer to expedite the process, not slow it down, as it already takes much longer to deal with the State than with the private lessees. To that end, GBOLA members believe that OFM shouldn't spend much time and effort reviewing small leases, but instead focus on large, more significant leases. Transparency and predictability in the process are imperative.
- The current leasing process is so rigid that GA leasing agents don't have much flexibility when working on deals. However, the real estate business requires agility and flexibility. If the agents had more flexibility in decision-making, it would benefit everyone.
- The State needs to be more realistic about the inefficiencies of owning its buildings. Once the building is built, the ongoing and capital maintenance does not get funded and the facilities operate inefficiently. Private buildings are much better maintained.
- The JLARC model is very complex and there should be an expert, who is well versed in real estate, to run it. The model needs real time data for calculations to be accurate and assumptions should be reasonable and transparent.
- GBOLA believes that it is not realistic to create a different real estate management process at once. The real estate business is dynamic and it will take some time for things to change.
- GBOLA is conducting a study of the ongoing costs of State-owned and -acquired buildings; this study is underway.

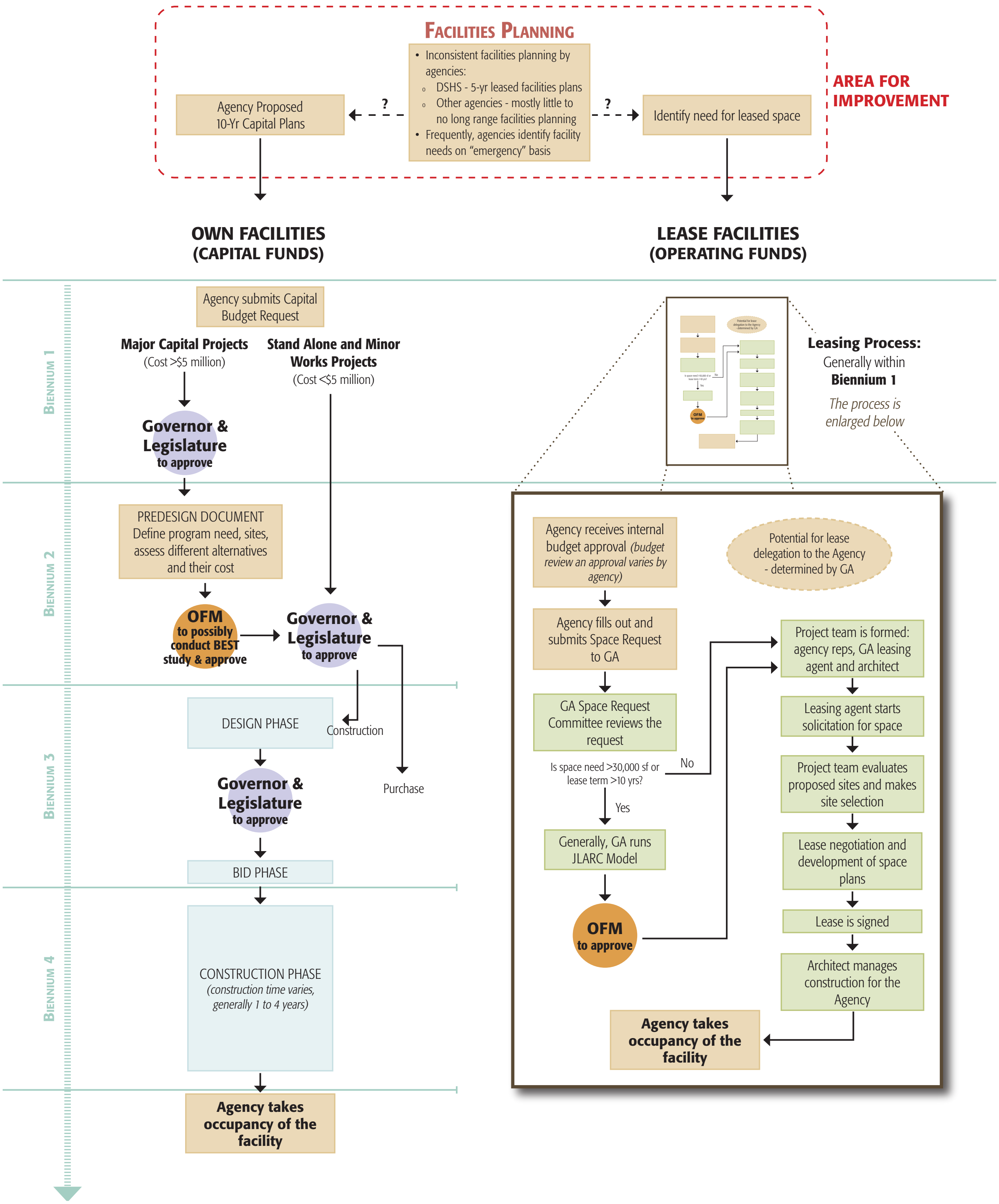
3.0 THE STATE'S CURRENT REAL ESTATE PROCUREMENT SYSTEM

3.1 Washington State's Current Real Estate Procurement System

In this Section the State's current real estate system and processes are documented, from identification of space needs to occupancy of the space by an agency. A narrative description of each of these phases is presented, as well as a graphic process map of the activities included within each phase.

Exhibit 1 details the State's real estate procurement process map before SHB 2366 went into effect in July 2007. It outlines the State's real estate system, starting with determining the space needs and continuing with the two separate processes for facilities procurement: leasing and owning of space. The roles of the main parties involved with the process (State agencies, GA, OFM) are denoted by color of the rectangle.

Exhibit 1
Washington State's Current Real Estate Procurement System



Source: Berk & Associates, 2007

Space Needs Identification and Planning

In the current system, there is no consistent approach to space needs identification or assessment by agencies, and only scattered attempts at long-term facilities planning. DSHS instituted a long-range leased facilities planning process in the last two years and is still fine-tuning this process. Based on the research and interviews conducted for this project, no other agency has a consistent long-range planning process for their leased facilities.

In the capital process, the State Budgeting and Accounting Act mandates long-range capital budget planning, requiring State agencies to complete a 10-Year plan of proposed capital spending. The planning process is designed to identify future needs and propose capital projects that address those needs.

Effectively, each agency makes a determination as to what kind of space is needed and the best way to procure it: either through the potentially lengthy capital budget process or through the shorter and simpler leasing process. Most facility space for agencies in the last ten years has been procured through leasing. Agencies identify their space needs as they arise either due to expiring leases, new or expanded programs, changes in service delivery, or other factors. Moreover, many agencies perceive that it is difficult to get the funds through the Capital Budget process.

Leasing Process Overview

Generally, when the client agency decides to pursue leasing, the process begins with internal agency budget approval and sign-off by agency officials. Next, the agency submits a space request form to GA, ideally at least 18 months prior to desired move-in date, but in practice it can be anywhere from 30 days to two years. See **Attachment H** for a copy of the space request form published by GA. Many agencies have adapted the space request form to meet their space planning needs.

The space request goes to the Project Review Committee, composed of GA internal staff, for review and evaluation. The Committee determines the reasonableness of the request and any potential issues that may arise, and may ask the agency for additional information. If the space request is for 30,000 square feet or more, life-cycle cost analysis is required, as is written OFM approval of the lease. In practice, this has not been consistently applied.

Once the project is approved, a project team is formed, consisting of a leasing agent, an architect, and agency representatives. The leasing agent begins the space search by preparing a solicitation (RFP) or searching market listings. When the proposals from different landlords come in, the project team conducts a site selection process to evaluate them. The site selection includes conducting site evaluations, performing proposal ranking using various criteria, and making a selection.

The leasing agent works with the ownership to develop a letter of intent with the basic terms and conditions of the lease. The GA Architect coordinates with the Agency to develop a space plan e. The architect is also involved in evaluating the plans and specifications for space and finalizing the scope and amount of tenant improvements. The leasing agent then negotiates the final lease terms. Once the lease is signed, the landlord begins construction (overseen by the GA Architect), and, upon the completion of construction, jurisdictional approval to occupy the space, and GA architect's certification that the space is substantially complete, the agency occupies the space.

Capital Process Overview

All capital projects must be submitted to OFM and the Legislature through the capital budget process. Agency submissions are divided into three categories: (1) grants (typically pass-through funding), (2) program projects (typically new program space), and (3) preservation (typically changes to existing space). Within each category, projects are further divided into Major projects (total project cost of $5 million or more), Stand Alone projects (total project cost of $1 to 5 million) and Omnibus Minor Works projects (total project cost $1 million for all state agencies except higher education institutions with a threshold of $2 million). Most projects for owned office space will be major projects in the program or preservation categories.

If an agency decides to pursue owned space, the first step in the process is to determine whether it will be a major capital project. Major capital projects involve one or more of the following: (1) cost of more than $5 million; or (2) cost more than $1 million and alternative financing is planned; or (3) the project will take two to three biennia to design, construct, and occupy. If the project is deemed to be a major capital project, additional requirements apply, such as predesign and project phasing.

During the Capital Budget Process, the agency prepares a Capital Project Request for projects in all categories to be included in the budget (form C2). After a series of agency internal reviews and approvals, the agency submits the Capital Project Request to OFM. The Request generally has to describe the project, any potential impacts on the operating budget, funding already expended and still needed, proposed schedule, estimated costs, and other information.

If a project is a major capital project, the next step of the process is completion of the predesign study, which is required for all major projects exceeding $5 million for which design and construction funds are requested. If a project is stand-alone or minor works, predesign is not required under the current process. During the predesign study, the agency evaluates the scope, project management, schedule, quality, and budget for the project, as well as to investigate different alternatives. Life-cycle cost analysis using the JLARC model is also part of the predesign study. In some instances, agencies fund this study with operating funds, at other times the agencies may request capital dollars. If the agency pursues capital funding, it would take longer to proceed with the project. The predesign document is then submitted to OFM and the Legislature for review and approval.

The next phase is the design process, where all prior predesign information is used to transform the needs, ideas, and proposals of the agency into construction documents (floor plans and specifications). If no predesign has been completed, the agency will follow the normal design process to incorporate the needs of the agency. After completion of this phase, the agency may begin the bidding, and construction phases.

Overall, funding approval from OFM and Legislature could take as little as nine months or longer. Generally, this process (from identifying the need to obtaining capital approval and funding) takes approximately six years. The timeline for the construction phase could vary as well, generally being about three months for minor works and one to four years for major projects after funding is confirmed.

In terms of building acquisition, there is a similar process to the capital budget request, requiring OFM and Legislative approval. However, overall, building acquisition takes significantly less time than construction projects.

3.2 Current Real Estate Processes Used by State Agencies

Individual agency processes were assessed to determine the level of planning and coordination occurring around securing and requesting office and warehouse space. Telephone and in-person interviews were conducted with staff from various GA client agencies and agencies with real estate authority. Agencies contacted were the State Department of Transportation (WSDOT), the Department of Natural Resources (DNR), the Department of Corrections (DOC), the Department of Health (DOH), the Department of Social and Health Services (DSHS), the Employment Security Department (ESD), the Department of Labor and Industries (L&I), the Parks and Recreation Commission (Parks), and the Department of Fish and Wildlife (WDFW). While these interviews only offer a small snapshot of all the agencies that work with GA or handle their own real estate dealings, the information derived from the interviews provided a good baseline understanding of how agencies are operating in the current real estate environment.

Key findings that emerged from the interviews and research are:

- Many agencies already have internal processes in place that do some of the work that GA is tasked to perform. Some of the agencies with greater facility needs, such as L&I, DOC, DSHS, and ESD have project managers, planners, and architects on staff. These staff analyze space requirements based on programming needs, work on the pre-design process, search for co-location opportunities (when viable), and identify available space for lease in the private sector that meets programmatic needs. Agencies with fewer space demands typically do not have such internal structures in place and consequently rely more on GA to provide these services

- While some agencies acknowledged that strategic facility planning would be helpful on the whole, there was some uncertainty and concern that determining space needs more than two years in advance would be a difficult task. For example, the location of many agency facilities (i.e. DOC, ESD, and DSHS) is based on changing demographic needs. This creates a need for flexibility and the ability to quickly respond to identified needs for appropriate facility space

- Agency opinions about GA's performance were mixed, with some agencies noting strong communication and good working relationships and others voicing their frustration with the quality of service delivered, poor coordination and communication. Issues identified included a lack of updating agencies about where they are in the process, and the perception that GA is more supportive of landlords than client agencies. There was also a general sense that GA employees are stretched very thin and are operating above capacity, which in turn further exacerbates some of the coordination and communication challenges

- Leasing was generally viewed as a more viable option over purchasing or constructing a facility, due to the lengthy capital process. However, many agencies agreed that stronger planning efforts could help the State in moving towards greater ownership of its space. That said, there was some concern about providing adequate funds for maintenance and upkeep of State-owned property, as many interviewees noted that the State was not currently devoting enough funding to maintenance

- Client agencies interviewed felt it is appropriate and very helpful that GA delegates authority on small, fast-turnaround leases. This provides agencies with greater flexibility and the ability to effectively respond to space-related issues as they arise. Some of the agencies with larger space needs also expressed a wish that delegated authority was given more often on leasing transactions
- When asked about the ideal outcomes that could result from this study, interviewees noted the following:
  - Roles between OFM and GA should be clearly defined
  - Bringing OFM into the process should not add a layer of bureaucracy and cause delays;
  - Communication between GA and client agencies should improve
  - A comprehensive system should be created that would allow agencies to easily input and extract vital facility data

From the agencies interviewed, DSHS, ESD, and L&I were selected for more in-depth study to better understand their facility planning and space request processes. As these agencies already have strong internal structures in place, an assessment of their work practices could help identify how other agencies (including GA) might benefit from similar practices. Specifically, DSHS was chosen for further study as it is the only agency that currently conducts comprehensive facility planning. ESD was selected due to its well-organized space-planning process, and L&I because it was frequently noted by other agencies as having innovative business practices. An overview of how each of these three agencies approaches securing space for their operations is presented below:

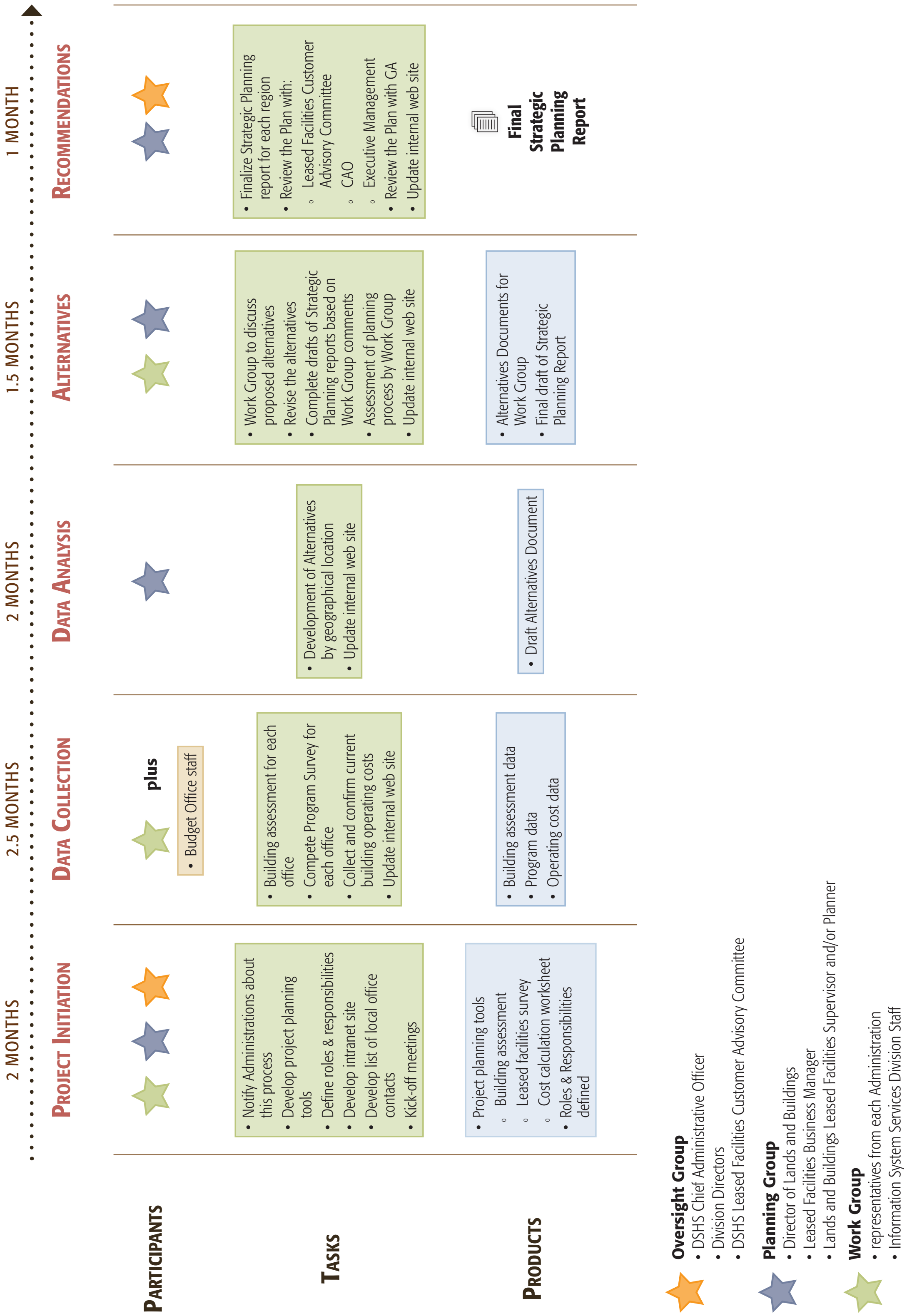
Department of Social and Health Services (DSHS)

DSHS is GA's largest customer, leasing and owning approximately 4.3 million square feet or 25% of the office space Statewide. Approximately 3.5 million square feet are leased facilities, for which DSHS currently spends about $65 million per year. The agency provides multiple programs, funded through a mixture of funding sources. Some programs are primarily federally-funded, while other programs receive a majority of their funding from State general dollars.

Despite its size and complexity, the real estate management structure at DSHS is centralized. The Lands & Buildings Division manages all DSHS leased and owned space, providing planning, design, construction oversight, and management of buildings and space functions to all divisions.

Beginning in 2003, DSHS has been on the forefront of agency strategic facility planning efforts. The 5-Year statewide strategic planning for all DSHS leased facilities is designed to identify the current space inventory and to project future growth and changes within the next five years. Land & Building works collaboratively on strategic planning with the different DSHS programs. However, it is important to note that the DSHS strategic facility planning process has only been implemented in the last few years and that the agency continues to improve it. The process has been beneficial, but also challenging and labor intensive. To date, DSHS has completed plans for three regions, plans for two are nearly complete, and there are also still two plans that are in the alternatives phase. **Exhibit 2** presents DSHS current leased facilities planning process.

Exhibit 2
DSHS Leased Facilities Strategic Planning



Source: Berk & Associates, 2007

DSHS Lands & Buildings Division identified the following benefits to strategic facilities plans:

- The plans are used as the basis for the development of agency space requests, which lays a solid foundation for work with GA on leased space transactions
- With the advent of the planning process, it has been easier to justify and receive funding for facility leases
- The plan projections are used as a forecasting tool for expected project workload. The plan allows the Lands & Buildings Division to determine if programs are following their stated current and future needs

When a program within DSHS identifies space needs, it forwards the space request to the Land & Buildings Division first, as programs do not have the authority to pursue their needs directly with GA or through a private entity. The Lands & Buildings Division works on refining the program's needs and determining potential costs. If space needs are outside the strategic facility plan (an unanticipated need), Lands & Buildings must get approval from the DSHS Secretary to ensure that this request doesn't conflict with other plans and budget requests.

DSHS staff identified two current weaknesses in the planning process: (1) GA staff are not at the planning table in a formally acknowledged role, and (2) and there is no strong input on program-wide trends from Headquarters Programs, so, consequently, the data rolling up from the Regions was inconsistent, sometimes inaccurate, and occasionally over projected. It would be beneficial for GA to play a more active role and represent their knowledge of market and economic conditions. DSHS is also working to improve the coordination between Headquarters Programs and Regional staff projections.

Employment Security Department

ESD is unique among Washington State agencies in that it is 98% federally funded, which in turn has significant implications on how it assesses and secures its space needs. The agency's federal funding comes from Unemployment Insurance (UI) for administering the state's unemployment benefits. The WorkSource Operations Division provides re-employment training to the citizens within the WorkSource Centers.

The funding for the WorkSource Centers states that ESD must occupy space with mandatory partners (such as DSHS, DVR, Workforce Development Councils, and local city government entities) to be eligible for the full allotment of funds. If space is not shared with mandatory partners, ESD's funding is reduced and/or the agency will not be operating a "certified" WorkSource Center. Consequently, ESD is constrained by its co-location options, and often has little control over where facilities are housed. Additionally, due to this structure, leasing space is almost always preferred over constructing or purchasing a building, as there is a strong need for flexibility.

The Facilities Division (FD) within ESD handles all the leasing requests that are submitted to GA. They currently have three Facilities Senior Planners, two Facilities Planners, one Facilities Services Coordinator II, and one Facilities Services Coordinator I in the Division who internally handle all issues relating to space requests from the various ESD program departments. In addition to the space request process, ESD has a more formal structure in place that enables the agency to examine its facilities needs more strategically. **Exhibit 3** diagrams the ESD facilities planning process.

Exhibit 3
ESD Facilities Planning Process

	Project Initiation (24 months prior to lease expiration)	Assessment (2 months)	Review Process (2 weeks)	Analysis (3 months)	Recommendations (1 month)
Participants	• Facilities Division (Office Services) • Designated DAC of Division	• Facilities Division (Office Services) • Designated DAC of Division	• Assistant Commissioner of Division	• Facilities Division (Office Services)	• Facilities Division • Deputy Commissioner • Program Assistant Commissioner • Designated DAC of Division
Tasks	• Determine ESD leases that will expire within 24 months • Initiate Lease Action Notification to designated DAC on all lease agreements within 24 month queue	• Assess need to continue, reduce/expand business at current location or more to another location • Assess program or community benefit of colocation with partners • Analyze and estimate costs (if not a lease renewal) • Consolidate estimate into Facility Plan	• Review Lease Action Business Plan proposal • Confirm funding availability and source • Forward proposed Lease Action Business Plan to Facilities Division (Office Services)	• Assess building conditions for deferred maintenance needs (lease renewals) • Recommend long term leases based on projected needs • Assess cost effectiveness of square footage request • Estimate cost of relocation, remodel, or re-configuration • Calculate increases/decreases in costs for rent, utilities and building services • Forward assessment and recommendations to Assistant Commissioner, DAC, and Deputy Commissioner	• Convene to discuss recommendations and final decision • Initiate internal action plan and formal request to GA for services required
Products	• Lease Action Notification	• Develop a Lease Business Plan which incorporates cost estimates in Facility Plan	• Proposed Lease Action Business Plan	• Lease Assessment and Recommendations Report	**Space Request or Renewal to GA**

Source: Berk & Associates, 2007

As shown in **Exhibit 3**, the Facilities Division (FD) sends out lease notifications to either the UI or WorkSource Operations Division. The facility point person for the division (Deputy Assistant Commissioner) must then answer a range of internal questions that will help ESD with its facility planning and develop a Lease Business Plan. The FD reviews the Lease Business Plan and pertinent information and develops a Lease Recommendation. A cost analysis form is prepared to evaluate relevant space criteria such as lease terms, cost of re-location, cost of increases or decreases in rent, and deferred maintenance needs (if a lease renewal project). A full assessment with recommendations is forwarded to the Assistant Commissioner for a final decision on the lease recommendation. Upon approval of a lease recommendation, FD initiates a formal space request to GA for its services.

Department of Labor and Industries

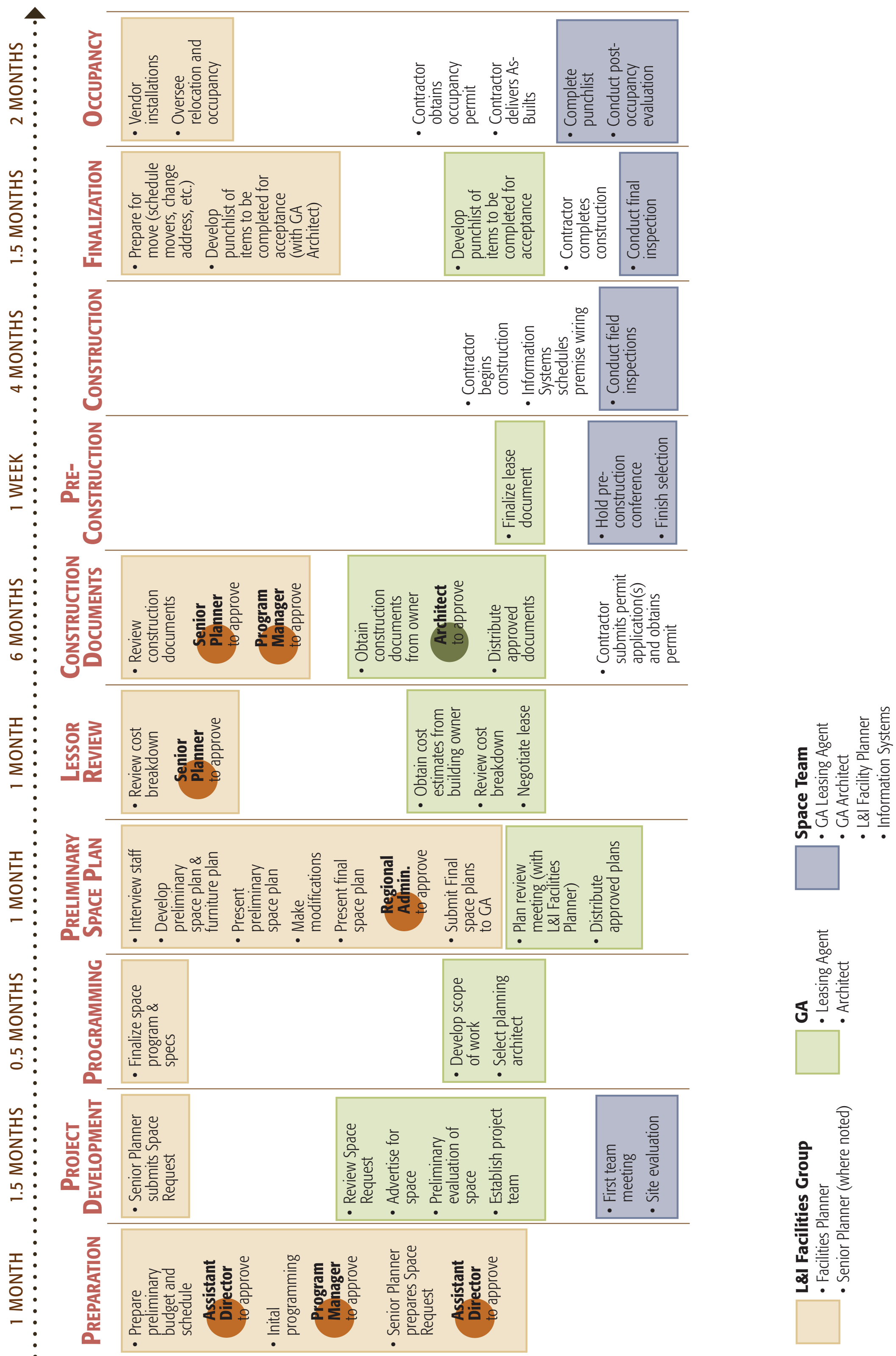
With respect to its real estate processes, L&I differs from other Washington State agencies for a couple of reasons. First, it owns a 400,000 square foot headquarters building, which was funded through a bond issuance and is six years from being paid in full. Second, it claims to enjoy the highest quality work environment of any State agency in Washington. Other agencies that were interviewed in the course of this study cited L&I as an example of an agency that had strong and effective real estate processes in place. L&I has dedicated funding that does not come from the State general fund.

The Facilities Services group at L&I is compromised of 33 FTEs who provide a variety of facilities services to the agency, including facilities strategic planning and budgeting, architectural and space planning, interior and space management, and operations and maintenance of owned space, among other tasks. Within the Facilities Services group, there is a Facilities Management group, which includes five FTEs (Senior Planner, three Facilities Planners, and Facilities Services Coordinator 2).

L&I leases approximately 260,000 square feet of space in 22 field offices and near its headquarters facility. The strategic planning that L&I undertakes is centered around the goal of providing a quality work environment for all L&I employees. It attempts to forecast agency growth and analyzes this growth in conjunction with a biennial schedule of lease expirations to identify where substantial space is needed. If the agency decides to pursue leased space, it works with GA/RES on these requests.

Exhibit 4 below shows the process used by L&I to work with GA/RES and obtain additional leased space. Although the timeline can vary based on project-specific details, it generally takes 18 months between the identification of the need for additional space to occupancy, which is in line with GA's process. Of note are all of the internal approval points built into the system. L&I Facilities Management staff is actively engaged throughout the process and monitors the phases of the project.

Exhibit 4
L&I Transaction Process for New Space



Source: Berk & Associates, 2007

3.3 Higher Education Facilities Planning Systems and Processes

For the purposes of this study, "higher education institutions" refers to the six public, four-year baccalaureate institutions in Washington State. Those institutions and their respective governing bodies are listed below:

- University of Washington (UW) – Board of Regents
- Washington State University (WSU) – Board of Regents
- Western Washington University (WWU) – Board of Trustees
- Eastern Washington University (EWU) – Board of Trustees
- Central Washington University (CWU) – Board of Trustees
- The Evergreen State College (TESC) – Board of Trustees

As a likely result of their separate statutory authority and well defined capital prioritization process, the State's higher education institutions have developed real estate planning and management processes that are different from other State agencies. Particularly with respect to facilities planning, higher education institutions are more sophisticated than the majority of State agencies and have been taking a coordinated Statewide approach to capital facilities for some time.

With respect to leased facilities, only the University of Washington does leasing of any substantial volume, and its processes are discussed in greater detail below.

The Higher Education Coordinating Board (HECB) and Facilities Planning

The HECB is a 10-member citizen board, whose members are appointed by the Governor. It provides guidance and coordination for State higher education resources, a key element of which includes the planning and coordination of academic programs and off-campus facilities. The HECB is required to develop a 10-Year Strategic Master Plan for Higher Education that must be updated every four years. It is currently in the process of developing the 2008 Strategic Plan, a component of which includes facility considerations.

In 2005 the HECB issued "Program and Facility Approval Policies and Procedures" in an effort to implement the 2004 Strategic Master Plan and reflect changes in the law (HB 1794). Among other authorities, the law gives the HECB authority for approving the purchase or lease of major off-campus facilities by a four-year institution or a community or technical college. While the HECB exercises this oversight, one of its primary goals is to provide itself and the institutions it oversees with planning tools, including a program and facilities inventory.

In practice, the institutions employ their own planning practices, including 10-Year capital plans, campus master plans, and on occasion, school or college-specific facilities plans. Through the coordinated capital facilities budget process described below and its lease oversight role, the HECB verifies that the institutions' plans and facilities transactions are in line with its own Comprehensive Strategic Plan.

Capital Budget Process

Higher education institutions' capital projects are funded through a variety of different mechanisms. Frequently donations or bond issues are used to fund auxiliary services like housing and dining facilities. Universities also have their own pool of local funds derived from student tuition, services and activities fees, and other institutionally-specific sources. The use of these funds is at the discretion of the Board of Regents/Trustees and is not meant to offset potential State funding. More recently, the institutions have been exploring public-private partnerships and 63-20 financing as alternative financing options for capital projects, as these funding mechanisms allow for greater flexibility in the timing and cash flow of capital projects. The universities have internal processes that involve the Board of Regents or Board of Trustees for the approval of these types of projects and financing. When capital projects are requested from the State, however, the process is universal to all of Washington's higher education institutions.

For State-funded capital projects, the institutions must develop a single, prioritized list of capital projects. The Council of Presidents (COP) facilitates this coordination process, which is both collaborative and a negotiation. Each institution's respective mission, strategic plan, and 10-Year capital plan provide the basis for this list, and once the institutions have reached consensus on the final prioritized project list, it is submitted to the HECB for approval, then to OFM, and finally to the Legislature for approval. This coordinated prioritization process is followed each biennium and always started from scratch, without any presumption that last biennium's unfunded projects are a priority for the current biennium.

Leasing and Management Practices by Institution

With the exception of the UW, whose leasing (and leased facilities planning) practices are documented at length herein, the higher education institutions engage in a minimal amount of leasing. Leasing activities and are summarized by institution below:

Central Washington University (CWU)

CWU leases approximately 7,000 square feet of office space through a couple of different leases that are all grant and contract-funded. They also lease a parking facility that is funded through the revenue it generates. Occasionally, CWU enlists the services of GA/RES. The University has worked with RES on a lease in Yakima and on the disposition of a property.

Eastern Washington University (EWU)

EWU is currently doing a small amount of leasing in Spokane after having sold a downtown property. These leases are all grant and contract funded.

The Evergreen State College (TESC)

TESC leases approximately 32,650 square feet of space in the city of Tacoma comprised of both office space and classroom/laboratory space for its educational program. The lease also includes associated parking spaces. The College has leased space in this location for upper division programs since December 2000. The lease is a 10-year lease with two five-year extensions. The lease was necessary to accommodate the growth in the Tacoma Center campus which currently provides services to about 225 FTEs. The lease was negotiated with the assistance of the Department of General Administration.

Western Washington University (WWU)

WWU leases approximated 40,500 square feet comprised of office space just outside the campus boundaries, a small business administration unit, continuing education facilities, a dance studio and a costume shop. These leases were the result of a lack of space on campus, and with the exception of the office space lease (which is a 10-year lease with a 5-year option), they are short-term leases of two to five years. WWU worked with GA on the dance studio lease but typically does its own leasing.

In general, WWU only leases when their capital facilities projects are not funded by the State. Their short-term lease requirements are immediate and need-driven, and most of the time the leases are executed on an expedited timeline.

WWU recognizes its need for additional space and is currently looking at its options in connection with the Port of Bellingham's proposed waterfront development. It is also considering building an additional support/administration building on a lot it owns at the edge of campus. These options have been identified in the University's 10-year Capital Plan.

Washington State University (WSU)

Washington State University owns approximately 12 million square feet of space. Its leases include a half floor of office space in downtown Seattle and similar office space in Olympia. WSU's leases are typically 5-year agreements at market rates, and they have not explored any lease-to-own options. They occasionally work with GA on space acquisition (like the Energy Program space in Olympia) but more typically use brokers active in the local markets.

WSU engages in significant facilities planning efforts, including a 20-year internal plan in addition to the required 10-year Capital Plan and is focused on saving money through energy efficiency. These planning and management efforts are supported by an inventory tracking system, which also generates reports for OFM.

WSU has a detailed and involved internal approval process for leased and owned space, and they actively engage in the capital budget prioritization process facilitated by the COP and approved by the HECB and OFM.

University of Washington (UW)

The UW has a complex real estate portfolio that includes almost 20 million square feet of owned space in Washington, over 7,500 acres of land in Washington and Alaska, and 1.2 million square feet of leased office space in Seattle. The UW also leases internationally (a need driven by the Seattle campus' researchers), and these leases amount to approximately 160,000 square feet. With its recent purchase of the Safeco Tower, the UW is in the process of vacating about 300,000 square feet of its leased space in Seattle and relocating those tenants to the Safeco Tower. In addition to its standard operating leases (typically three to five year terms), the UW's lease portfolio includes a few long-term leases (30-35 years) in South Lake Union, four 63-20 leases, and two leases that use a lease-revenue backed financing mechanism.

Capital Process. Due to the complexity of its portfolio, the UW has developed thorough processes for real estate management. With respect to capital facilities acquisitions, the UW has a capital budget process that varies slightly depending on the size of the project and its funding source (see **Attachment I** for details). For state-funded projects, the UW participates in the same COP prioritization process as the State's other universities.

All proposed leased and capital projects are first vetted by the Capital and Space Planning Office (CASPO). CASPO is responsible for coordinating planning efforts and the capital budgeting process, coordinating all matters of capital and space planning with the HECB, developing space planning and allocation standards, managing the space allocation system, and maintaining the space inventory, among other responsibilities.

Leasing Process. CASPO's leasing process is documented in **Attachment I**, and works as follows:

Through the Campus Master Planning process, each college, school or support unit is assigned a specified "space envelope." If the unplanned space needs of that unit can be met within this envelope, the unit can proceed without involvement of CASPO. If the school or college has a need for space that cannot be met within its current envelope, it submits a Space Request form to CASPO (see **Attachment I** for a copy of the Space Request form used). CASPO reviews and analyzes the Space Request form and verifies the funding source. Assuming funding can be verified and the amount of space needed meets its standards, CASPO approves the Space Request and begins its space allocation process.

In many cases, research-related (and grant-funded) space requests have specific geographic requirements. If this is the case, CASPO works within these requirements. If geographic requirements are not pre-determined, CASPO first looks at its on-campus space to see if there is any vacancy that might fill the needs of the requestor. If there is no available space on campus, CASPO next looks at the buildings for which the UW has existing financial obligations to see if there is space available in these buildings. Assuming no applicable vacancy there, CASPO next explores opportunities to backfill existing operating leases with vacancies. If this is not an option, CASPO investigates the need for new space.

CASPO, with the assistance of the UW's Treasury Office, always performs life-cycle cost analysis for major new space requests. Assuming CASPO agrees that new leased space is merited, it sends the approved Space Request to the Real Estate Office (REO) for acquisition of new leased space. It is important to note that CASPO is performing detailed analysis and examining space allocation possibilities upfront, before the Space Request moves into a transactional phase.

In addition to the CASPO review process, all leases exceeding 20 years or anticipated to have a total construction cost of $5 million or more must be approved by the Board of Regents. All off-campus leases for academic programs must be approved by the HECB, and major off-campus leases in excess of 6,000 square feet or $60,000 annually must be approved by the HECB, regardless of the funding source or purpose for which the facility is to be acquired (see **Attachment I** for a copy of the approval form that must be submitted to the HECB). The exception to this HECB approval requirement is leased space for noncredit programs, agricultural research facilities, and marine vessels. Following an acquisition, the institution reports the information to OFM as part of its facility inventory.

Planning and Management. In addition to handling transactions for new space, the Real Estate Office manages income-producing property owned by the UW, processes all rent payments and recharges the renting unit, evaluates real estate gifts, and buys and sells real estate in accordance with the University's institutional goals and capital process.

Together, CASPO and REO provide integrated real estate services to the UW. It is important to note that the real estate decision-making and space allocation processes used by the UW are grounded in a formal planning process. The UW is required by Seattle City law to develop and update a Campus Master Plan every ten years. It is also required to prepare a Statewide 10-year Capital Plan. In addition to these plans, CASPO maintains a 10-year capital facilities plan and also requests facilities plans from individual colleges and schools on a case-by-case basis. It is CASPO's responsibility to ensure that the facilities portions of these plans are coordinated, and that all of these planning efforts are supported by financial and life-cycle cost analysis from the Treasury Department.

Performance Measurement and Accountability. The Real Estate Office uses a Balanced Scorecard Performance Report for performance measurement and management purposes. This report tracks financial, professional development, internal process and customer satisfaction goals and performance. In addition to this reporting, the UW complies with reporting requirements by the City of Seattle on its real estate activities within City limits and reporting requirements to the HECB, which require the University to state how much space is centrally funded.

4.0 BEST PRACTICES AND MODELS USED IN OTHER ORGANIZATIONS

4.1 Review of Private Sector Approaches

Methods and Approach

In an effort to gain an understanding of industry trends and best practices in commercial office and warehouse space management, Washington-based companies with complex real estate portfolios were contacted. The companies that were initially contacted were chosen for their size and significance, local presence in Washington, and complexity of their real estate portfolios. They were identified based on conversations with legislators, legislative staff members, and OFM. Names and contact information for senior real estate managers within these companies were collected through the assistance of professional contacts within the company (where possible) or via real estate broker contacts and internet research. Where names of individual real estate managers were not available, the company's public relations department was contacted.

OFM prepared an introductory letter that was sent to the identified companies along with a request to schedule a half hour interview. Due to the proprietary nature of certain information pertaining to real estate management, some companies were hesitant to participate in this process and others simply declined to participate. After a great deal of outreach, five sizeable companies (three of which are Fortune 100 businesses) with substantial real estate holdings in Washington State and beyond agreed to participate in the process.

The participants are listed below:

- **The Boeing Company** – Director of Corporate Real Estate
- **Microsoft** – Senior Director, Real Estate and Facilities
- **Weyerhaeuser** – Director of Real Estate
- **PEMCO** – Director of Enterprise Services
- **Washington Mutual** – First Vice President

Berk & Associates prepared an interview protocol to guide the interview with these individuals (see **Attachment D**). When requested, it was sent to the interviewee in advance of the interview. The information that resulted from these interviews provides a snapshot of private sector real estate practices in these major corporations.

Summary of Findings

The companies that participated in this study represent a range of sizes, industries and corporate cultures. The following summaries provide a high-level description of how real estate management is structured within these organizations and the general attributes of their real estate portfolios. In order to honor confidentiality requests and to facilitate the sharing of information, the bulk of the information collected from the private sector interviews is presented in summary fashion, without identification of company-specific information. Key findings are listed by company below:

The Boeing Company Boeing has a large global real estate portfolio that spans the spectrum from undeveloped land to high-tech office buildings and manufacturing facilities. Over the past several years, Boeing has been working towards consolidation of its facilities and has been focused on disposition and redevelopment of surplus property. Real Estate management worldwide is centralized through the Site Services Group, which handles the day-to-day facilities management of all Boeing's owned space. Within the Site Services Group, the Corporate Real Estate Group handles acquisitions, disposition, and leasing and the Real Property Planning Group manages the facilities inventory and strategic planning for facilities.

Microsoft Relative to the companies interviewed, Microsoft has a mid-sized real estate portfolio. Although its holdings are global, about three-quarters of the portfolio is located in the Puget Sound area. Its facilities are primarily office, engineering and warehouse space. Real Estate management is centralized and very streamlined at Microsoft, where the Real Estate and Facilities Group provides the full gamut of acquisition, disposition, and leasing services. They rely heavily on outsourced services for day-to-day property management and facilities services.

Weyerhaeuser Weyerhaeuser has a large portfolio of global office, warehouse and manufacturing space. Its centralized real estate group handles site selection, negotiation and administration of leases as well as acquisition and disposition of property for all U.S. subsidiaries. It also provides consultation services to Weyerhaeuser's foreign subsidiaries. The real estate group at Weyerhaeuser is a streamlined service center that relies on outsourced services for local expertise and transaction support.

PEMCO PEMCO is unique among the companies interviewed in that its real estate portfolio is located entirely in Washington State. PEMCO's organizational structure is also a bit unique in that it is a conglomerate of eight to nine different companies within banking, technology, and insurance industries. The real estate services function for these companies is centralized within the Enterprise Services group, which among other services provides facilities management, space design, planning, and transaction services. This group assists PEMCO's businesses with all phases of the real estate process from planning to a completed transaction and occupancy of a fully constructed space.

Washington Mutual (WaMu) WaMu has a mid-sized real estate portfolio that has grown over the past decade from a smaller Washington-based portfolio to a complex national portfolio of office space and bank branches. Given the mergers the company has completed over the past several years, the company has been focusing on consolidations and maximizing efficiency in its portfolio. Real Estate management is centralized at WaMu, with distinct planning and transactions groups. The planning group is the first point of contact for local business units in need of space, and Relationship Managers within this group coordinate with the local business units and assist them in translating demand forecasts into space needs. Facilities management, corporate services, and transaction services are highly outsourced.

In addition to covering the organizational structure of real estate management functions and general portfolio attributes, the company interviews covered other relevant topics such as facilities planning practices, lease versus ownership decision-making, and accountability mechanisms. In some instances the findings across companies were quite consistent. Cross-cutting findings are summarized below by topic area:

Facilities Planning

All but one of the companies interviewed had formal planning processes for facilities, and the company without a formal facilities planning process acknowledged that planning was an area for improvement. The processes varied in the time horizon over which they were trying to forecast space needs, from three years to fifteen years. In all instances, facilities planning efforts were directly linked to business plans. The companies first forecasted demand for products and services, then extrapolated projected staffing levels and geographic concentrations. Based on projected staffing levels, the company could predict space needs. This process of facilities planning resulting from and based on business planning is fundamental and relevant to the State as it develops a new approach to its real estate portfolio.

Lease Versus Ownership Decision-Making

When companies were asked how they approached lease versus buy decision-making, responses differed in terms of ownership goals for the respective company's real estate portfolio, but were generally consistent in the elements to be considered. All five of the companies shared that this was a decision that happened during the planning process and had strong central involvement from the Treasury Department or CFO's office. Much as the State is accountable to taxpayers, these companies are accountable to their shareholders, and large acquisitions are analyzed in terms of their balance sheet implications and potential effect on stock prices.

While all of the companies performed life-cycle cost and other financial analysis around purchase decisions, the role this played in the final decision-making process varied. Some companies approach purchase decisions primarily as strategic decisions. They identify markets that they want a long-term presence in, and purchase property in those markets. Others relate purchase decisions to their core business lines. When the business line is stable in terms of staffing and the company is certain that it is a core business line, purchase is preferred. Similarly, if the business unit requires a highly specialized facility, the company tends to purchase space.

Other companies are more focused on the financial aspects of a purchase decision and hesitate to purchase facilities when they believe the capital could be put to better use elsewhere. They measure and report return on assets to their investors, and there is a disincentive to increase the asset base unless the life-cycle cost analysis is compelling. Because the State is not a profit-maximizing entity, the private sector framework is not directly applicable. However, like the private sector, best practices suggest that the State should be incorporating both strategic and financial analysis into its decision-making around whether to lease or own certain facilities.

Accountability and Oversight

Companies differed on which entity had the final decision-making authority for leased space. In most cases the local business unit that ultimately occupies the space can choose its space. The rationale for this process is that the local business unit knows its market best, and it is ultimately responsible for its Profit and Loss Statement, with lease costs having a direct impact on this statement. The real estate services group works closely with the local business unit, typically reaching consensus on space decisions. In this accountability model, the real estate services group tracks its own performance through measures like transaction turnaround time and number and dollar amount of transactions completed. As State agencies do not have a similar Profit and Loss Statement accountability mechanism, this model may not be relevant.

A couple of the companies interviewed use a process through which the real estate group has the final decision-making authority for leased space. This works well for companies with smaller space portfolios or companies with greater corporate real estate staffing. In the latter model, the company has a strong strategic planning function that prepares 5-Year real estate plans, and its real estate staff work closely with the local business units on transactions. Performance measures tracked include square foot per employee, vacancy rates, and cost per square foot, among others. A system like this is generally applicable to the State of Washington and in line with the intent of SHB 2366.

Summary and Lessons Learned from the Corporate Sector

The following **Exhibit 5** presents a summary of information learned through the private sector interviews. It recaps the findings noted above and provides additional information about staffing levels and real estate portfolio attributes of the organizations interviewed.

Exhibit 5

Summary of Private Sector Real Estate Management Practices

Topic Area	Aggregated Findings
Real Estate Portfolio Attributes	• 500,000 – 85,000,000 square feet • Geographic emphasis ranging from Washington State to global • Facilities include office, warehouse, engineering, manufacturing, and customer service spaces • Ownership ranges from 30-80% of the total portfolio • Square feet per employee ranges from 160-250
Management Structure	• In all instances, real estate management is a centralized function • In some instances, broad regional designations are used
Staffing	• Size of Real Estate staff varies from four people to thousands of people (when the Real Estate Division also provides direct site services) • Median Real Estate staff unit size is ten • Three of the five companies interviewed rely heavily on outside service providers for transaction and management support
Planning	• All but one of the companies interviewed engage in formal facilities planning efforts over a time horizon that ranges from three to fifteen years • Where formal facilities planning is absent, strong strategic planning exists • Some companies undertake planning centrally while others require the local business units to prepare facilities plans
Lease versus Buy Decision-making	• All companies noted that lease versus buy decisions had a strategic and financial component • Some companies viewed ownership as a primarily strategic decision, based on core business activities and geographic considerations • Some companies had goals to own 100% of their facilities in certain markets • Other companies were moving towards leasing most of their space, to ensure greater flexibility and to employ their capital in their core business lines • In all cases the central Treasury or CFO's office provided strategic and financial analysis around ownership decisions
Transaction Oversight	• The Treasury or CFO has the final decision-making authority for acquisition of owned space • With respect to leases, in some instances the local business unit have ultimate approval authority for location decisions, in other instances, the central real estate office has final approval authority for location decisions • In all instances, the central real estate office works closely with the local business unit and nearly always reaches a consensus decision

Performance Measures/ Accountability for Real Estate Management	• Transaction cycle times • Square foot per employee • Cost per square foot • Annualized cost per seat • Facilities cost per person (fully loaded) • Facilities management cost per square foot • Quality of facilities and facilities services • Occupancy ratios • Number of transactions completed • Dollar amounts of transactions completed

Source: Berk & Associates, 2007

Leveraging and Outsourcing Strategic Themes Across Companies Interviewed. While portfolio attributes and real estate management practices varied significantly amongst the companies interviewed, a couple of themes were consistent. First, companies with larger real estate portfolios relied heavily on outsourced real estate transaction and management services. The streamlined real estate departments that exist at these companies focus on strategic planning, portfolio management and transaction oversight. These companies employ a highly leveraged and highly outsourced model of real management that is not applicable to the State of Washington or to the public sector in general.

Linkage Between Strategic and Facility Planning. Of relevance to the State of Washington are the facilities planning practices used by the private sector. While the level of formality and timeline of facilities planning varies, facilities plans are directly linked to the companies' business plans. Real Estate managers unanimously acknowledged that the business plan must drive real estate decisions. At the outset of the facilities planning process, a company is first trying to predict demand for its products and services, extrapolating from this the number of people it will need to employ in various functions and geographic locations. The growth or shift in employees is translated into space requirements for which to plan. For the State of Washington, a practice like this would imply that before embarking on facilities planning, State agencies would need to have a solid strategic plan that forecasts growth in programs and FTEs. This programmatic plan could then be translated into a facilities plan.

Accountability. It is also important to note that all five of the companies interviewed had an accountability mechanism or mechanisms in place. While the precise decision-making authorities and performance measures tracked differed among the companies, each of them has an approach in place to ensure that decisions made are in the best strategic and financial interests of the company.

4.2 Review of Selected, Comparable Practices in Other States

Overview of the Research

In addition to review and assessment of internal agency structures within Washington and the private sector, best practice research was conducted on the practices in the States of California, Wisconsin, Iowa, Utah, and Virginia. These states were selected for study based on several factors: California for its leadership position in many state operational practices; Wisconsin and Utah for their similarity to Washington's relatively decentralized governance structure; and Iowa and Virginia, both of whom recently conducted similar studies on how to more effectively secure office and warehouse space for their state agencies.

At the outset of this analysis, it is important to note that while many states are struggling with similar issues related to real estate planning and management practices, differences in geography, demographics, laws, and culture have created very distinct government structures and operating environments. Due to these differences, a model that works effectively in one State may not work well in other. That said, information obtained from this assessment provides useful insights into how different State agencies are dealing with the challenges, opportunities, and constraints of managing complex real estate needs and portfolios.

Methodology

In-depth phone interviews were conducted with various agency staff involved in real estate-related issues for their respective State. An interview protocol was developed and sent out in advance to interviewees. The protocol posed specific questions about State's organizational structure, funding, process, responsibilities, and oversight for its real estate portfolio. Organizational charts, process maps, policies and procedure manuals, and legislative documents were also examined to gain an understanding of the complexities of each State's organizational structure and functional responsibilities regarding its leasing, procuring, and management processes.

Organizational Structure

While varying in organizational structure, size, and capacity, all five states have centralized authority in one agency that is responsible–to differing degrees–for leasing, acquiring, maintaining, and managing State agency office and warehouse space. Similar to Washington, these GA-type equivalent agencies do not typically manage or oversee facilities for higher education or agencies with real estate authority, which include transportation and parks and natural resources departments. A State-by-State summary of organizational structure follows:

California: Department of General Services (DGS), Real Estate Leasing and Planning Section (RELPS)

RELPS manages and oversees approximately 20 million sf of leased space and 190 million sf of State-owned space[1]. With roughly 2,107 employees, RELPS is divided into five branches:

- Asset Management (~34 staff) initially reviews all agency space requests to ensure that requests line up with existing law, and then conducts life-cycle cost analysis to determine if leasing, purchasing, or building is the most viable option
- Professional Services (~341 staff) is responsible for leasing, architectural design, real estate, environmental safety, and emergency repairs
- Project Management (~87 staff) is a fee-for-service provider that oversees the construction of large capital outlay projects
- Property Management Branch (~1573 staff) is responsible for repairs, maintenance and janitorial services for State-owned facilities
- Business, Operations, Planning, and Policy (~72 staff) handles all support services for the other four branches, such as administration, budget, and payroll

State agencies that RELPS does not handle space for are the university campuses, CalTrans (RELPS is only involved in its general purpose office buildings that serve as district offices), and the Wildlife Conservation Board (WCB), which buys its own properties.

Iowa: Department of Administrative Services (DAS), General Services (GS)

General Services manages and oversees approximately 2.1 million sf of State-owned office space and 500,000 sf of leased office space in the Capital Complex and the Des Moines area. Agencies that lease space outside this area are given delegated authority to manage and oversee their leases. There are roughly 113 employees in the real estate component of the General Services that work within three branches:

- Lease and Space Management Services (LSMS) (~1 staff) processes space request for client agencies, handles lease transactions, and facilities planning
- Architectural and Engineering Services (~12 staff) assists State agencies in facilities design, construction, and management
- Capital Complex Maintenance Services (~100 staff) is responsible for maintaining the Capitol Complex buildings and grounds

[1] These figures do not include facilities for higher education or agencies with delegation.

General Services does not typically work with the Board of Regent Institutions (higher education), Department of Transportation, and a few agencies that have independent purchasing authority but are not acquirers of real estate, such as the Department of Natural Resources (DNR).

Utah: Department of General Administration (GA), Division of Facilities, Construction, and Management (DFCM)

DFCM manages and oversees approximately 1.3 million sf of leased office space and approximately 5.2 million sf of State-owned office space. Employing roughly 150 people, DFCM is broken down into five bureaus:

- Real Estate (~4 staff) is responsible for handling space requests as well ensuring that agencies are appropriately seeking space based on programmatic needs
- Facilities and Maintenance (~98 staff) provides complete operation, maintenance and management services to client agencies as requested
- Capital Development (~10 staff) manages the construction of new State-owned facilities with responsibilities that include architectural programming, awarding construction bids, and overseeing building design and construction
- Capital Improvement (~18 staff) manages the remodeling and updating of current State-owned facilities and is responsible for overseeing the design, management, and construction of such improvements
- Administrative (~20 staff) provides administrative support to the other four bureaus

DFCM does not generally handle leases for higher education or the Parks Department. Additionally, while the Department of Transportation (DOT) owns and manages its highways and administrative buildings, if DOT wants to enter into a lease agreement, it must first obtain permission from DFCM.

Virginia: Department of General Services (DGS), Real Estate Services Division (DRES)

DRES, which currently employs 15 staff, oversees approximately 117 million sf of State-owned space and 16 million sf of leased space. DRES manages the State's real estate portfolio by: providing strategic planning assistance to agencies; offering transactional negotiation and document support, including leasing, acquisition, disposal, and easements; monitoring occupancy and efficient utilization of leased and owned property; selling surplus real estate; and administering Statewide contracts for outsourced real estate services.

In 2003, based on findings and recommendations from an external report, DRES underwent a major restructuring that significantly altered the way it did business. Previously, DRES delegated all leasing transactions and capital project work to the various agencies. Under the new structure, DRES now handles all leasing-related issues for all its State agencies, excluding specific agencies with real estate authority such as Parks and Recreation and the Department of Transportation. DRES does do a certain amount of leasing for higher education, although this arrangement is still in transition. Capital projects are still delegated to client agencies, although the Division of Engineering (also within DGS) does provide agencies with oversight and guidance. Engineering also reviews plans and acts as the building official for State-owned properties.

Wisconsin: Department of General Administration (GA), Division of State Facilities (DSF)

The DSF, located within GA, oversees approximately 3.2 million sf of leased space and three million sf of owned space. The DSF employs roughly 245 full-time employees that work within one of its four bureaus:

- Portfolio Management (~12 staff) processes and analyzes space requests, coordinates agency planning efforts, and manages agency leases
- Facility Management (~130 staff) oversees and operates the three million sf of State-owned office space
- Architecture and Engineering (~75 staff) provides management and oversight on all capital projects from design through completion
- Operations Management (~26 staff) provides administrative support to the other three bureaus

The Administrator's Office (~4 staff) leads the entire DSF by providing oversight to all four bureaus. While GA does not handle real estate-related issues for higher education on the day-to-day basics, the DSF oversees all capital projects on university campuses. Additionally, if campuses are involved in leasing, the DSF manages the lease transactions. GA also does not typically manage office and warehouse space for selected agencies with real estate authority, which include the Department of Transportation and the Department of Natural Resources.

Funding Structure

Funding for real estate services in the five states is based on a mix of approaches. California imposes commission, fee-for-services, and lease surcharges. Iowa also uses a fee-based structure, as well as receives appropriated funds through the Legislature. Real estate services in Wisconsin and Utah are supported by leasing surcharges and revenue from internal and general funds, with Virginia employing a commission-based structure.

California: Department of General Services (DGS), Real Estate Leasing and Planning Section (RELPS)

RELPS is funded primarily through fees for space planning and project management, which are billed hourly to the client agencies. Fees for the leasing and contract management portion of RELPS services are collected through a lease surcharge, also paid by client agencies. The surcharge is a percentage of all the rents generated by a client agency's lease portfolio. Maintenance for State-owned facilities is also built into the lease surcharge, which is currently at three cents a sf for tenant improvement and three cents per sf for special repairs[2].

[2] RELPS is currently working to increase the percentage of rental funds allocated to maintenance fees.

Iowa: Department of Administrative Services (DAS), General Services (GS)

LSMS (within GS) charges client agencies a fee-for-service for space planning, processing lease requests, and providing cost estimates and real estate-related analysis. For maintenance of State-owned properties, agencies are only billed for custodial services, with appropriated funds used for utilities costs and routine and major expenses.

Utah: Department of General Administration (GA), Division of Facilities, Construction, and Management (DFCM)

The Capital Development, Capital Improvement, Real Estate, and Administrative Bureaus are supported by an allocated budget from each client agency's general fund, with Facilities Maintenance supported by an internal service fund appropriated by the State Legislature to the client agencies (who in turn pay DFCM for relevant services delivered).

Virginia: Department of General Services (DGS), Real Estate Services Division (DRES)

DRES is currently funded partially by general funds and partially by non-general funds. The latter funding is generated through surcharges assessed against certain large co-location leases as well as monies received from a percentage of commissions paid by landlords to contracted brokers. DRES plans to request 100% funding through the general fund during the next General Assembly session. Maintenance funds are appropriated by the General Assembly to the various owning agencies.

Wisconsin: Department of General Administration (GA), Division of State Facilities (DSF)

DSF is funded through program revenues and charges for the space that it rents to client agencies. Within this rental fee is the cost of operating a given space, which includes DSF salaries and general overhead. On the capital side, DSF has a 4% fee that it charges on projects. Maintenance for State-owned facilities is funded by internal service funds appropriated by the State Legislature to the agencies. The agencies then pay DSF for all related maintenance services delivered.

Space Request Process

In the states interviewed, advance notice of space request ranges from 30 days to 24 months. All agencies are required to submit a formal space request form, which is reviewed by a specific division or branch within GA-type agency. Almost all the states interviewed noted that their client agencies typically did not provide enough advance notice when submitting space requests. California and Virginia are both working to implement a more formalized timeframe for submitting requests, where penalties could be incurred for agencies not meeting specified deadlines. Penalties would not be incurred for emergencies or other special circumstances.

California: Department of General Services (DGS), Real Estate Leasing and Planning Section (RELPS)

Ideally, agency space requests are sent to Asset Management (within RELPS) at least 12 months prior to lease expiration. For more challenging facility needs (such as parole offices and Department of Motor Vehicle facilities), 18-24 months advance notice is requested. Asset Management's role is to assess whether the space requests adhere to existing policies and procedures, if agencies are appropriately defining their facilities needs, and if the request is consistent with the State's long and short-term plans.

After Asset Management has given its approval, the space requests are forwarded to the appropriate division. For leases, requests are sent to the Professional Services branch for processing. For new construction, requests are forwarded to both Professional Services and the Capital Management branch.

DGS performs contract administration services once a lease is signed to ensure that the lessor and the State occupant comply with the lease terms. DGS also handles administrative-type activities such as payee or address changes, rent bumps, and escalation adjustments.

Iowa: Department of Administrative Services (DAS), General Services (GS)

The client agency submits a request to LSMS generally 30-60 days prior to lease expiration. LSMS meets with an agency representative to determine specific needs (number of employees, location, etc.) and provides cost estimates. LSMS, based on the selected criteria, looks to the private sector for available space and begins the lease transaction process.

Once a lease is signed, LSMS provides general oversight to ensure that the landlord is complying with the terms of the agreement, resolves any lease-related disputes, and handles general maintenance problems that may fall outside of the lease agreement between the landlord and the client agency.

Utah: Department of General Administration (GA), Division of Facilities, Construction, and Management (DFCM)

Client agencies are asked to submit space requests to the Real Estate Division (within DFCM) 15-18 month in advance of lease expiration. At a minimum, agencies must give nine to 12 months advance notice. Currently, client agencies are required go through a programming process in which they must provide DFCM with specific information such as number of employees, number of bathrooms, parking, and geographic constraints. DFCM then takes this input and looks at available private sector leases.

DFCM is still closely involved once the lease is signed. Any contact with the landlord regarding lease-related issues (i.e. maintenance, disputes, cost increases) must first go through DFCM staff (specifically staff within the Real Estate Division).

Virginia: Department of General Services (DGS), Real Estate Services Division (DRES)

Agencies have to formally submit a request to DRES nine to 12 months in advance of lease expiration (with the certification that appropriate funds have been allocated to handle the request). Then the request is sent directly to the Asset Management Division. If there is a problem or concern with the request, the Agency Relationship Manager (ARM) assigned to that agency will go back to help modify the request.

In addition to administering the leases, DRES enters into an agreement with client agencies concerning the level of work involved in handling issues with the landlord. Most agreements state that the client agency is responsible for routine lease-related issues (i.e. small maintenance concerns) while DRES is responsible for larger lease-related issues (i.e. significant landlord disputes).

Wisconsin: Department of General Administration (GA), Division of State Facilities (DSF)

Space requests are submitted 12-18 months in advance to the Portfolio Management bureau. This bureau reviews each request to ensure that agencies are adhering to specified policies and guidelines.

Lease versus Buy Decision-Making

California, Utah, and Wisconsin currently engage in some lease versus buy analysis within a division located in their GA-type agency. Iowa generally does not perform life-cycle cost analysis, although the State has hired consultants to do this in the past on special projects. Virginia also does not generally do this type of evaluation, although it is now trying to move more towards this model.

California: Department of General Services (DGS), Real Estate Leasing and Planning Section (RELPS)

A small sub-group within Asset Management performs life-cycle cost analysis to determine the economics of leasing over the long-term, versus purchasing or constructing a new building. Staff utilize a standard model that was developed over time by Asset Management and the Department of Finance (DOF). DOF is the receiver of the information produced by Asset Management, and looks at the lease versus buy recommendation in terms of a client agency's future budget requests.

Iowa: Department of Administrative Services (DAS), General Services (GS)

Iowa does not typically buy property and until recently, the State had not built anything for ten years, due to lack of funding. As such, there is not much life-cycle or tradeoff analysis performed, since most space requests are for leasing. The State Legislature has required that GS hire private consultants for special projects to conduct life-cycle cost analysis, and to determine if there is a positive return on investment if the State built instead of leased certain space.

Utah: Department of General Administration (GA), Division of Facilities, Construction, and Management (DFCM)

The Real Estate Division does perform life-cycle cost analysis, although staff does not use a specific financial model as each case is unique (the model changes due to different leasing costs). This type of analysis is only part of the decision as to whether to lease or buy space. All capital development projects require legislative approval, and the decision-making process can often become political.

Virginia: Department of General Services (DGS), Real Estate Services Division (DRES)

At present, DGS does not have a system that would accommodate life-cycle cost analysis as DRES mostly manages leases, since buying or purchasing property is such a lengthy process. However, the State is just beginning to move towards life-cycle cost analysis to ensure better decision-making. This also involves adopting new policies and procedures that would better streamline the process for acquiring or constructing new facilities.

Wisconsin: Department of General Administration (GA), Division of State Facilities (DSF)

Portfolio Management is the Bureau within DFS that performs the lease versus own analysis. This Bureau is relatively new and was created to obtain more and better information on life-cycle cost. Before this Bureau was in place, the State was not looking at the pro and cons of alternatives. Currently, the State is moving towards a total cost of occupancy approach (a 20-year cost analysis of different scenarios to meet programmatic needs).

Planning

Of the five states evaluated, California, Wisconsin, and Utah require agencies to conduct long-range planning (with California and Utah using a 5-Year facility plan timeframe and Wisconsin using 6-Year plans). It should be noted that California performs regional facility planning and that individual agency plans are not rolled up by its Department of General Services, but rather are given to the Department of Finance (DOF), which can then assess overall agency needs at a State-wide level.

California: Department of General Services (DGS), Real Estate Leasing and Planning Section (RELPS)

Agencies are required to submit a 5-Year plan related to capital outlay projects. Plan submittals are then rolled up by the DOF to determine overall capital needs. Asset Management helps agencies produce budget packages for a fee (as some agencies need additional help to ascertain how much certain space needs will cost). RELPS does long-range facility planning at a regional level and works closely with DOF on this planning. For this type of planning, specific regions are identified, such as Sacramento, Los Angeles, and the Bay Area.

Iowa: Department of Administrative Services (DAS), General Services (GS)

Agencies are not required to do long-range planning. However, the Real Estate Services Division does help agencies, at a basic level, determine future facility needs.

Utah: Department of General Administration (GA), Division of Facilities, Construction, and Management (DFCM)

By statute, agencies have to present to GA a 5-Year plan, which is updated annually. DFCM is deeply involved with client agencies' planning and meets with agencies with significant leased space on a monthly basis to determine what leases need to be renewed in the next 18 months. DFCM also meets with agencies that have fewer leasing needs, although on a less frequent basis.

Virginia: Department of General Services (DGS), Real Estate Services Division (DRES)

DGS recently initiated a strategic planning process for its seven highest space/facility users. However, there is no current law in place that requires agencies to have a facilities plan (although the State does plan on appending this requirement).

Wisconsin: Department of General Administration (GA), Division of State Facilities (DSF)

Agencies are legally required to submit a 6-Year plan to DSF that is modified every even numbered year. Master plans, which span ten to twenty years, are also developed by some agencies, although there is no requirement to update them. GA's involvement in planning varies depending on the client agency's capacity and capability. For example, as campuses have a relatively high-level of capacity, DSF only assigns a project manager (from the Bureau of Architecture and Engineering) to help with master planning and not the 6-Year planning. On the other end of the spectrum is the Department of Corrections, which doesn't have dedicated staffing and expertise in facility planning. Thus, DSF has a much greater level of involvement in this agency's planning efforts. As such, a staff member within the Portfolio Management would be assigned to help the agency with 6-Year planning efforts.

Delegation of Authority

Delegation of leasing authority occurs in California and Wisconsin, although only for projects that have short leases or are for a relatively small amount of money. Iowa, Utah, and Virginia do not delegate authority under any circumstances. Some of the stated reasoning cited for this is that when client agencies have lease signature authority, the State as a whole loses bargaining power, continuity, standardization, and overall control.

California: Department of General Services (DGS), Real Estate Leasing and Planning Section (RELPS)

For most leasing transactions the Department does not delegate authority. However, for smaller transactions or shorter leases, delegation sometimes does occur. This is also highly dependent on the client agency's capacity to handle the lease transaction on its own.

Iowa: Department of Administrative Services (DAS), General Services (GS)

GS never delegates authority to client agencies under any circumstances.

Utah: Department of General Administration (GA), Division of Facilities, Construction, and Management (DFCM)

DFCM never delegates authority to client agencies under any circumstances.

Virginia: Department of General Services (DGS), Real Estate Services Division (DRES)

DRES never delegates authority to client agencies under any circumstances.

Wisconsin: Department of General Administration (GA), Division of State Facilities (DSF)

Delegating leasing transactions to client agencies does not typically occur. However, with small, fast turnaround projects some agencies have handled the lease transaction on their own.

Contracting Out Services

Two of the five states interviewed, Iowa and Utah, never contract out for services. Virginia, California, and Wisconsin all utilize the private sector to administer some of their services, although the level of frequency varies significantly. Of the three, Virginia contracts out the largest portion of its services (from leasing to space planning) and utilizes a variety of firms to handle these responsibilities, some of whom have long-term agreements with the State. California, Wisconsin, and Iowa only contract out work on very specific tasks, on an "as need" basis.

California: Department of General Services (DGS), Real Estate Leasing and Planning Section (RELPS)

While RELPS never contracts out lease management, the private sector is sometimes employed to manage property or State-owned facilities. This generally occurs if there is surplus property or land that is not currently being occupied by a client agency. RELPS also sometimes contracts out with brokers if small pieces of property are being sold.

Iowa: Department of Administrative Services (DAS), General Services (GS)

The real estate component within GS has occasionally used brokers, although this is situational. Real Estate generally use internal staff to find and approach landlords. However, if staff is unable to find a suitable space, an outside broker is sometime used to locate space.

Utah: Department of General Administration (GA), Division of Facilities, Construction, and Management (DFCM)

DFCM never contracts out work with outside entities. The rationale behind this decision is the notion that fully allowing the free market to operate within the State's real-estate system would change its core values and objectives. Staff believe that the corporate broker commission structure provides incentives to locate more expensive space.

Virginia: Department of General Services (DGS), Real Estate Services Division (DRES)

C. B. Richard Ellis (CB), an international firm that provides real estate services, oversees most leasing efforts, although DRES may choose to handle certain transactions (mainly renewals and leases in very rural areas). Through the C.B. Ellis contract, DRES can also contract for project management, as well as have CB act as the listing agent and sell surplus real estate or sublease excess rental space. Space planning is also contracted out, although this service is usually paid for by the landlords, with DRES specifying the firm it prefers to use. DRES also has the ability to contract with a space planning firm directly if necessary. DRES has separate contracts with appraisers for real estate appraisal services.

Wisconsin: Department of General Administration (GA), Division of State Facilities (DSF)

DSF does occasionally outsource leasing and property transactions, which are done on a fee/commission basis through an open solicitation process. DSF has never contracted out for management of State-owned property.

Oversight Approaches

All five states interviewed have various external oversight mechanisms, with California and Wisconsin also employing specific divisions to provide internal supervision. Iowa is the only state that does not have a specific threshold set for projects that require additional review and approval.

California. Department of General Services (DGS), Real Estate Leasing and Planning Section (RELPS)

The DOF, State Auditor, and Public Works Board (a policy board comprised of DOF and client agencies) all provide some level oversight to RELPS. The Public Works Board scrutinizes special projects such as major capital outlays. Leases over $300,000 annually need review by DOF. RELPS is currently working to increase this threshold to $600,000 a year for leases. Additionally, for long-term leases–mostly leases over four years–RELPS is required to give notice to the Joint Legislative Budget Committee. The Committee then has 30 days to identify RELPS issues and concerns. Internally, DGS conducts a compliance and review process (within Business, Operations, and Planning) to ensure that agencies are asking for an appropriate amount of space.

Iowa: Department of Administrative Services (DAS), General Services (GS)

The Legislative Oversight Committee examines special projects that are identified as high profile. The Governor's Budget Office also provides some level of scrutiny on projects. However, there is currently no specific size or time threshold on leases that require special approval. All leases located in the Capital Complex and in Des Moines require the signature of the DAS Director.

Utah: Department of General Administration (GA), Division of Facilities, Construction, and Management (DFCM)

External oversight is performed by the State Building Board, State Auditor, and Legislature. Any lease that is ten years or longer needs approval from the State Building Board. Any lease that is more than $5 million dollars over the life of its lease requires reports produced by DFCM to the State Legislature. GA is also audited every year, as are the client agencies. Part of that audit process is assessing whether GA and the client agencies are in compliance with policy and procedures concerning the leasing, managing, and procuring of facilities.

Virginia: Department of General Services (DGS), Real Estate Services Division (DRES)

The State Legislature and the Governor's Office (specifically the Secretary of Administration) provide oversight to the DGS. All leases, except those for less than six months, require approval by the Governor. That authority is delegated to the Secretary of Administration where there is a standard process for obtaining approval. All capital leases and all operating leases costing more than $5 million over the full lease term must be approved by the General Assembly. An exception exists for capital outlay leases entered by DGS for collocation of agencies when DRES can show savings. In that case, approval must be obtained from the Director of the Department of Planning and Budget.

Wisconsin: Department of General Administration,

Private Leases of more than 10,000 sf, lease agreements over five years, or facilities being built by private developers specifically for state agencies to lease or buy, all require legislative oversight from the State of Wisconsin Building Commission. All other agreements can be approved administratively within GA. The Building Commission is comprised of an eight-member body, with one public representative, six legislators, and the Governor, who chairs the meetings. GA is also currently working on the development of an internal oversight body, which would be located within the Bureau of Operations and Management.

Identified Best Practice Areas

The following practices in place in other states may be worth considering as Washington State develops its new system.

Creating Stronger Partnerships with Client Agencies: Agency Relationship Managers (ARM)

In 2005, Virginia's Real Estate Division created a new staff position called the Agency Relationship Manager (ARM). Currently, there are six ARMs, who are closely involved in day-to-day dealings with client agencies. Much of their work is focused on helping client agencies with general coordination, processing space requests, and strategic planning. It should be noted that ARMs were previously analysts working within the Real Estate Division whose responsibilities were to assess the merits of any given transaction: a role that often created adversarial tensions between the client agencies and the Real Estate Division. Now as an ARM, the role of these staff is to partner and assist client agencies. There are about 25 agencies that the Real Estate Division classifies as the "high-use" group, which are agencies that have a significant amount of leased facilities and space. The other 100 state agencies are called the "low-use" group as they do not have the same space needs. While ARMS work more closely with the "high-use" group they are also available to assist agencies in the "low-use" group.

Strengthening Authority

The State of California is currently trying to move towards total occupancy of its State-owned facilities. While the State has recently dedicated more resources and funding for maintenance, client agencies often are reluctant to move into State-owned space (in part due to the stigma that conditions would not be on par with leasing privately owned space). About three years ago, the State Legislature passed a law that mandated (when feasible) that the State use state-owned space before it can use leased space. This law has helped fortify existing policy and has also strengthened the authority of RELPS in directing where client agencies are housed. Following passage of this law, occupancy of State-owned space is now at 99%.

Creation of Administrative Support Divisions

California, Utah, and Wisconsin each have a division within their GA-type agency that is devoted almost exclusively to supporting the other divisions. This centralization has allowed staff working on leasing, capital management and improvement, and maintenance issues to focus on non-administrative tasks and functions. In California and Wisconsin, the support division also coordinates and provides some level of oversight over the other divisions, by establishing benchmarks to ensure that policies and procedures are being met and that workflow is occurring in a timely and efficient manner.

Summary of State Best Practices

Exhibit 6 provides a summary overview of the five states' organizational, funding, planning, and oversight structure. The square footage of leased and owned space only includes data for client agencies.

Exhibit 6

Summary Overview

	Client Agencies	Leased/ Owned	Funding	Planning	Oversight
California	All State agencies excluding higher education, DOT, and WCB	Leased: 20M sf Owned: 190M sf	Commission, Fee-For Services/Lease Surcharges	Required 5-Year agency plans	Leases < $300,000 and < 4 years in contract length
Iowa	All State agencies with space needs in Des Moines area, excluding higher education, DOT, and DNR	Leased: 0.5M sf Owned: 2.1M sf	Fee-For Services, Internal Funds	No required planning	No specific oversight threshold
Utah	All State agencies excluding higher education, DOT, and Parks Dpt.	Leased: 1.3M sf Owned: 5.2M sf	Lease Surcharges/ General and Internal Funds	Required 5-Year agency plans	Leases < $5M in contract costs or < 10 years in contract length
Virginia	All State agencies excluding parts of higher education, DOT, and Parks Dept.	Leased: 16M sf Owned: 117M sf	Commission/ Lease Surcharges/ Internal Funds	No required planning	All leases < $5M in contract costs
Washington	All State agencies, excluding higher education institutions and agencies with separate real estate authority	Leased: 9.9M sf Owned: 5.3M sf	Fee-for services and commission	No statewide long range planning currently	Leases >30,000 sf or 10 years in contract length need OFM approval
Wisconsin	All State agencies excluding parts of higher education, DOT, and DNR	Leased: 3.2M sf Owned: 3M sf	Lease Surcharges/ General and Internal Funds	Required 6-Year agency plans	Leases < 10,000 sf, > 5 years, or space being built for agency to lease

Source: Interviews with States; Washington State - 2007 Facilities Inventory System Data from General Administration, October 1, 2007; Berk & Associates, 2007

5.0 SYSTEM ASSESSMENT AND OPPORTUNITIES FOR IMPROVEMENT

5.1 Current System Strengths

While there are several areas within the current Washington State real estate system that have been identified for improvement, there are also some processes and functions that are working well. Through interviews and evaluation of the current leasing and capital processes, the following system strengths have been identified:

- GA staff are knowledgeable about the real estate markets and generally efficient in processing lease transactions
- Some client agencies have established strong and healthy working relationships with GA
- GA is generally prompt and timely in sending out lease renewal notifications
- DSHS, GA's largest client agency, has been a pioneer in strategic planning for leased space. This process has been beneficial for the agency in terms of assessing the best space solutions for the agency and setting baseline for expectations. Moreover, the agency has noted that with the advent of the planning process, it has been easier to justify and receive funding for facility leases
- GA encourages the use of environmentally-friendly building standards in major facilities. GA developed "high performance building" guidelines (and applied them in the case of Tumwater Office Building). In addition, Leadership in Energy and Environmental Design (LEED) standards have been incorporated into the Leased Space Requirements
- Recently, GA and client agencies have been working to incorporate life-cycle cost analysis into the real estate decision-making process through use of the JLARC model
- GA has an Administrative Services Division dedicated to supporting other divisions (including the Facilities Division) much like the structure identified in other states as a best practice
- Higher education institutions have a formal planning process and coordinate capital facilities requests Statewide

5.2 Gap Assessment

The Current System is Inconsistent and Reactive

Currently (and historically) there is no consistent approach to facility needs assessment, long range space planning or facility budgeting by agencies for new owned or leased facilities. Moreover, the decision-making authority is not clearly understood. Most agencies operate in a reactive mode: the system is engaged as real estate needs come up. GA has, consequently, also been reactive in its services, and highly transaction-oriented. This places stress on GA to work in a rushed mode instead of taking more time to effectively assist agencies with their space needs. This, and GA's current fee for service funding system, encourages reaction, and discourages GA from exercising its authority to manage the State's office leasing portfolio in a more strategic manner.

Instead of planning ahead for larger space needs based on agencies' strategic direction, programmatic needs and projections, and overall state growth patterns, the agencies end up leasing small of spaces to satisfy immediate needs. As a result, State government offices are often fragmented and differ considerably in cost, quality, and value. Despite some major consolidations in the recent years (for instance, DOH and DSHS), fragmentation remains an issue which can lead to deficiencies in service delivery.

Based on the interviews conducted, communication between GA and its client agencies is inconsistent. It appears that some relationships are working well, while there needs to be more effort put into others.

The System Encourages Leasing as the Fastest and Easiest Way to Fulfill Space Needs

As mentioned previously, there is no consistent approach among agencies for undertaking space needs assessments. Similarly, there is no process for assessing leasing versus owning options and making an informed decision that would be aligned both with an agency's and the State's overall goals.

The processes for leasing and owning facilities are out of sync with each other, generally because (1) it is a shorter and easier to lease; (2) there is no cohesive long-range facilities planning that can allow time for appropriate assessment of space needs and alternatives; and (3) the subsequent funding for State-owned facilities maintenance is frequently inadequate.

There are some major differences between operating and capital funding. Operating funds are frequently associated with larger budget requests for new programs or program expansions. In addition, the funding requests for leased space are not evaluated as a whole budget item, but rather by individual agency and program. The capital process, on the other hand, is much longer and more challenging, requiring bringing many stakeholders to the table. Capital facilities planning takes considerable investment of an agency's time and funding, as well as political capital. It is no surprise then that many agencies choose leasing over ownership options. The leasing process generally takes about one biennium, while the process leading to ownership requires up to six years of organizing, predesign, design, and approvals by OFM and Legislature, before even starting construction.

There is Limited Linkage between Facility Space Requests and Operating Budget Process

There are frequently little or no ties between the agency facility space requests and the operating budget process. While OFM has standard decision package tools for evaluating budget requests, agency requests for lease-related operating funds are not standardized and have varying degrees of description submitted. As mentioned previously, most facilities requests are also associated with larger program budget requests, making them difficult to separate out and evaluate.

In addition, GA relies on the requesting agency to ensure that operating funding is available and to obtain budget approval for leased facilities before making the space request. GA does not check to make sure that the agency does indeed have the funding. However, it is reportedly not unusual for agencies to request additional funding for lease increases after previously certifying that adequate funds are available.

There is a Lack of Long Range Facilities Planning

Long-range leased space planning within agencies is inconsistent, with DSHS being the only agency that recently instituted a formal process for evaluation of leased space needs. Generally, space is leased on an as-needed basis with agencies quickly outgrowing it, leading to need for more space, and, frequently, contributing to fragmentation.

Lack of planning contributes to difficulty of assessing and evaluating space procurement alternatives and making leasing versus owning decisions. By the time GA receives a space request, it is too late in the process to consider buying or building state space.

Although currently non-existent, there should be a nexus between capital and operations planning – between 10-Year plans for proposed capital spending and long range leased space needs. The facilities planning for leased and owned space should be evaluated during the same planning process, with attention paid to evaluating all alternatives. Ideally, the complete planning process would identify future space needs and propose both capital and operating projects to address those needs.

As there is no statewide facilities planning function for both leased and owned space, no one is working to ensure that facilities decisions consider the overall State interest, not just the individual agency's needs. Also, importantly, there is no continuous connection between agency strategic plans, their programmatic needs, and future facilities needs.

To better manage and analyze consolidated planning efforts, a geography-based approach to facility planning and analysis is needed.

Facilities Data Systems are Fragmented and Antiquated, and a Systemic Approach to Asset Management is Lacking

Facilities data is currently used and maintained in a variety of computer programs, which are not integrated with each other, and some of them are antiquated and difficult to use. There is no complete or accurate inventory data on the use or condition of leased or owned assets. Historical information is not stored, making it difficult to analyze and report on the past performance of the assets.

According to GA's 2007-2013 Strategic Plan: "A new system is needed to manage owned and leased property assets from acquisition through final disposal. Current facilities data is maintained in a variety of systems that are not integrated. The information is not used to its fullest potential."

Current inventory data is not complete for all the space that the state is either owning or leasing. For instance, the data for higher education institutions and agencies with real estate authority is not integrated into the overall State system.

An up-to-date, easily accessible facility inventory system would provide an information base for long-term facility planning as well as shorter-term facility decision-making across agencies. An inventory system that tracks facility history is an essential component of good asset management, enabling the State to better plan and budget for both facility maintenance and facility acquisition and disposal.

5.3 Elements of a Well-Managed System

Based on the State's existing system and best practices in the public and private sector, the following elements of an effective and well-managed system are recommended for incorporation into Washington's proposed new system:

- **Clear definition of roles and responsibilities.** Effective management systems and accountability begin with clearly delineating specific responsibilities for key actions and tasks. Each recommended action should have an "owner," with supporting roles and responsibilities also defined

- **Clearly documented and communicated policies and procedures.** Effective facility planning and management involves multiple steps and multiple responsibilities, all of which needs to be put in writing and clearly communicated to all participants in the system

- **Comprehensive facilities data collection and inventory.** Timely and accurate information collected across agencies and accessible for planning, analytic and reporting purposes is a foundational element of a well-managed system

- **Long-range facilities planning that is integrally linked to agency program and strategic planning.** Facility planning should derive from agency strategies and program plans, and the connection between program needs and facility needs and requests should be documented and transparent

- **Strategic facility planning support for smaller agencies.** Agencies will need varying levels of support to implement the new system. A good model in use both in the private sector and in other states is the Agency Relationship Manager (ARM) approach. This system provides agencies with an assigned person responsible for helping staff translate program needs into facility plans. Similar to the OFM budget analyst model, the ARM maintains an ongoing relationship with assigned agencies. Over time, the ARM develops contextual knowledge about the agency's operations, which strengthens the ability to provide strategic guidance and technical assistance in facilities planning

- **Geography-based facility needs assessment and market analysis.** Washington is a large state with multiple real estate markets. Geographically-focused needs assessment and market analysis will provide opportunities for optimal decision-making across agencies and for specific facility needs

- **Life-cycle cost analysis of alternative options.** This model is already available and is being newly managed by OFM. It should now be used with greater consistency across agencies and project proposals

- **Oversight, review and approval for larger and higher risk facility proposals.** Separation of the oversight agency from the transactional entity is recommended to achieve effective management performance. A service-oriented transactional group cannot be expected to also oversee approval of large and high risk space requests; instead, this should be handled by a group with an institutional culture of critically reviewing proposals with financial impacts

- **Standardized performance measures.** Standardized performance measures to ensure quality should be incorporated into GA/RES's work processes as an integral element. These specific performance measures should be developed by GA
- **Two-way communication, including performance feedback from clients.** State agencies have perspectives and information to share on their transactional experience with GA, and their overall level of satisfaction with GA's services. GA should create systems that explicitly solicit feedback from its clients, and incorporate their results of that feedback into their processes
- **Adequate resources for long-range planning, transactions, and oversight.** Effective implementation is highly dependent on adequate staffing. This encompasses not only adequate staffing levels, but having the right person in the right role

All of these elements are addressed in the Implementation Plan through specific action items.

5.4 Areas for Further Consideration

Budgeting for Adequate Facility Maintenance. Both ongoing routine and major maintenance for the State's office facilities are widely reported to be underfunded. Such underinvestment has multiple consequences and impacts for the State's asset base as well as for the employees housed in those facilities. Underfunded facilities maintenance is also a real consideration for agencies evaluating their space options, and is an argument advanced by the private sector in favor of leasing privately-owned space.

One approach to address this situation is to investigate establishment of a capital reserve for major maintenance. Another is to focus on assembling usable information about facility condition in a facility inventory and asset management database. Development of an effective, up-to-date Statewide facilities inventory system would provide valuable information on ongoing and upcoming maintenance needs, and would help agencies develop more compelling budget requests for maintenance funding.

Analysis of Approaches to Ensure Greater Funding Stability for GA. GA struggles with the cyclicality of funding associated with its fee structure. Although various funding approaches have been tried over the years, the agency still lacks a predictable and stable funding structure. Analysis and consideration of alternative funding methods and structures, including those in use in other states, would be beneficial to the functioning of the whole system.

Evaluate Current Structure and Resources for RES. Currently, the RES Division is reportedly at or above capacity. This capacity issue can have consequences for client service, timeliness of response, and overall work quality. It is appropriate to clearly define the systems, roles and responsibilities of RES as they relate to real estate transactions, to review the specific skill sets needed to accomplish these roles, and finally address the staffing resources needed within RES to accomplish these responsibilities.

Assess Establishing Agency Relationship Managers (ARMs) within GA. Agency Relationship Managers could be tasked with working closely with the state agencies to help with the coordination of facilities planning and space request activities. ARMs could be the primary point of contact for facilities questions, providing technical assistance where possible and connecting state agencies with the appropriate individuals within GA.

Legislative Changes Needed. Considering the recent changes in the legislation, it is important that all relevant RCWs pertaining to the new system are consistent and reflect the updated processes.

- Long-range planning responsibility
- Responsibilities related to Higher Education Institutions
- Revision to responsibilities for use of the life-cycle cost analysis model related to leases longer than ten years in length and leased space size (30,000 sf instead of 20,000 sf)

Centralized Lease Management. Once the Implementation Plan is put into practice, consider studying potential benefits of centralized leased management.

5.5 Implementation Plan

Based upon the assessment and findings detailed in this Report and the legislative direction included in SHB 2366, significant changes to Washington's system for procuring and managing State agency office and warehouse space are required. The ***State of Washington Strategic Facilities Planning and Management System Implementation Plan*** provides a framework to begin implementing the recommended changes. As an action-oriented plan that defines tasks, provides timelines, and assigns roles and responsibilities, it builds upon this Report and details how to execute the findings and recommendations contained herein. The Plan should be considered a companion document to this Report.

State of Washington Strategic Facilities Planning and Management System

ATTACHMENTS

ATTACHMENT A:
SHB 2366 AND HOUSE BILL REPORT

CERTIFICATION OF ENROLLMENT

SUBSTITUTE HOUSE BILL 2366

60th Legislature
2007 Regular Session

Passed by the House March 14, 2007
Yeas 95 Nays 0

Speaker of the House of Representatives

Passed by the Senate April 13, 2007
Yeas 46 Nays 0

President of the Senate

Approved

Governor of the State of Washington

CERTIFICATE

I, Richard Nafziger, Chief Clerk of the House of Representatives of the State of Washington, do hereby certify that the attached is **SUBSTITUTE HOUSE BILL 2366** as passed by the House of Representatives and the Senate on the dates hereon set forth.

Chief Clerk

FILED

Secretary of State
State of Washington

SUBSTITUTE HOUSE BILL 2366

Passed Legislature - 2007 Regular Session

State of Washington 60th Legislature 2007 Regular Session

By House Committee on Capital Budget (originally sponsored by Representatives Dunshee, Jarrett, Ormsby, Hunter and Kenney)

READ FIRST TIME 3/5/07.

AN ACT Relating to accountability, efficiency, and oversight of state facility planning and management; amending RCW 43.82.150 and 43.82.010; adding new sections to chapter 43.82 RCW; adding a new section to chapter 39.35B RCW; and creating a new section.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF WASHINGTON:

NEW SECTION. **Sec. 1.** The legislature finds that the capital stock of facilities owned and leased by state agencies represents a significant financial investment by the citizens of the state of Washington. Capital construction projects funded in the state's capital budget require diligent analysis and approval by the governor and the legislature. In some cases, long-term leases obligate state agencies to a larger financial commitment than some capital construction projects without a comparable level of diligence. State facility analysis and portfolio management can be strengthened through greater oversight and support from the office of financial management and the legislature and with input from stakeholders.

The legislature finds that the state lacks specific policies and standards on conducting life-cycle cost analysis to determine the cost-effectiveness of owning or leasing state facilities and lacks clear guidance on when and how to use it. Further, there is limited oversight and review of the results of life-cycle cost analyses in the capital project review process. Unless decision makers are provided a thorough economic analysis, they cannot identify the most cost-effective alternative or identify opportunities for improving the cost-effectiveness of state facility alternatives.

The legislature finds that the statewide accounting system limits the ability of the office of financial management and the legislature to analyze agency expenditures that include only leases for land, buildings, and structures. Additionally, other statewide data systems that track state-owned and leased facility information are limited, onerous, and inflexible.

Therefore, it is the intent of the legislature to strengthen the office of financial management's oversight role in state facility analysis and decision making. Further, it is the intent of the legislature to support the office of financial management's and the department of general administration's need for technical expertise and data systems to conduct thorough analysis, long-term planning, and state facility portfolio management by providing adequate resources in the capital and operating budgets.

NEW SECTION. **Sec. 2.** A new section is added to chapter 43.82 RCW to read as follows:

The office of financial management, in consultation with the appropriate committees of the legislature, shall prepare an implementation plan to improve the oversight of real estate procurement and management practices. The plan must identify specific steps that state government can take to better manage the acquisition, ownership, lease, and disposition of office and warehouse space so that state services are delivered in an effective manner. The plan shall be submitted to the governor and the appropriate committees of the legislature by October 1, 2007.

NEW SECTION. **Sec. 3.** A new section is added to chapter 39.35B RCW to read as follows:

The office of financial management shall:

(1) Design and implement a cost-effective life-cycle cost model by

October 1, 2008, based on the work completed by the joint legislative audit and review committee in January 2007 and in consultation with legislative fiscal committees;

(2) Deploy the life-cycle cost model for use by state agencies once completed and tested;

(3) Update the life-cycle cost model periodically in consultation with legislative fiscal committees;

(4) Establish clear policies, standards, and procedures regarding the use of life-cycle cost analysis by state agencies including:

(a) When state agencies must use the life-cycle cost analysis, including the types of proposed capital projects and leased facilities to which it must be applied;

(b) Procedures state agencies must use to document the results of required life-cycle cost analyses;

(c) Standards regarding the discount rate and other key model assumptions; and

(d) A process to document and justify any deviation from the standard assumptions.

NEW SECTION. **Sec. 4.** A new section is added to chapter 43.82 RCW to read as follows:

(1) The office of financial management shall design and implement a modified predesign process for any space request to lease, purchase, or build facilities that involve (a) the housing of new state programs, (b) a major expansion of existing state programs, or (c) the relocation of state agency programs. This includes the consolidation of multiple state agency tenants into one facility. The office of financial management shall define facilities that meet the criteria described in (a) and (b) of this subsection.

(2) State agencies shall submit modified predesigns to the office of financial management and the legislature. Modified predesigns must include a problem statement, an analysis of alternatives to address programmatic and space requirements, proposed locations, and a financial assessment. For proposed projects of twenty thousand gross square feet or less, the agency may provide a cost-benefit analysis, rather than a life-cycle cost analysis, as determined by the office of financial management.

(3) Projects that meet the capital requirements for predesign on major facility projects with an estimated project cost of five million dollars or more pursuant to chapter 43.88 RCW shall not be required to prepare a modified predesign.

(4) The office of financial management shall require state agencies to identify plans for major leased facilities as part of the ten-year capital budget plan. State agencies shall not enter into new or renewed leases of more than one million dollars per year unless such leases have been approved by the office of financial management except when the need for the lease is due to an unanticipated emergency. The regular termination date on an existing lease does not constitute an emergency. The department of general administration shall notify the office of financial management and the appropriate legislative fiscal committees if an emergency situation arises.

(5) For project proposals in which there are estimates of operational savings, the office of financial management shall require the agency or agencies involved to provide details including but not limited to fund sources and timelines.

NEW SECTION. **Sec. 5.** A new section is added to chapter 43.82 RCW to read as follows:

State agencies are prohibited from entering into lease agreements for privately owned buildings that are in the planning stage of development or under construction unless there is prior written approval by the director of the office of financial management. Approval of such leases shall not be delegated. Lease agreements described in this section must comply with section 4 of this act.

NEW SECTION. **Sec. 6.** A new section is added to chapter 43.82 RCW to read as follows:

The office of financial management shall:

(1) Work with the department of general administration and all other state agencies to determine the long-term facility needs of state government; and

(2) Develop and submit a six-year facility plan to the legislature by January 1st of every odd-numbered year, beginning January 1, 2009, that includes state agency space requirements and other pertinent data

necessary for cost-effective facility planning. The department of general administration shall assist with this effort as required by the office of financial management.

Sec. 7. RCW 43.82.150 and 1997 c 96 s 2 are each amended to read as follows:

(1) The office of financial management shall develop and maintain an inventory system to account for all owned or leased facilities utilized by state government. At a minimum, the inventory system must include the facility owner, location, type, condition, and size of each facility. In addition, for owned facilities, the inventory system must include the date and cost of original construction and the cost of any major remodeling or renovation. The inventory must be updated by June 30th of each year. The office of financial management shall publish a report summarizing information contained in the inventory system for each agency by October 1st of each year, beginning in ((~~1997~~)) 2010 and shall submit this report to the appropriate fiscal committees of the legislature.

(2) All agencies, departments, boards, commissions, and institutions of the state of Washington shall provide to the office of financial management a complete inventory of owned and leased facilities by ((~~May 30, 1994~~)) September 1, 2010. The inventory must be updated and submitted to the office of financial management by ((~~May 30~~)) September 1st of each subsequent year. The inventories required under this subsection must be submitted in a standard format prescribed by the office of financial management.

(3) The office of financial management shall report to the legislature by September 1, 2008, on recommended improvements to the inventory system, redevelopment costs, and an implementation schedule for the redevelopment of the inventory system. The report shall also make recommendations on other improvements that will improve accountability and assist in the evaluation of budget requests and facility management by the governor and the legislature.

(4) For the purposes of this section, "facilities" means buildings and other structures with walls and a roof. "Facilities" does not mean roads, bridges, parking areas, utility systems, and other similar improvements to real property.

Sec. 8. RCW 43.82.010 and 2004 c 277 s 906 are each amended to read as follows:

(1) The director of general administration, on behalf of the agency involved <u>and after consultation with the office of financial management</u>, shall purchase, lease, lease purchase, rent, or otherwise acquire all real estate, improved or unimproved, as may be required by elected state officials, institutions, departments, commissions, boards, and other state agencies, or federal agencies where joint state and federal activities are undertaken and may grant easements and transfer, exchange, sell, lease, or sublease all or part of any surplus real estate for those state agencies which do not otherwise have the specific authority to dispose of real estate. This section does not transfer financial liability for the acquired property to the department of general administration.

(2) Except for real estate occupied by federal agencies, the director shall determine the location, size, and design of any real estate or improvements thereon acquired or held pursuant to subsection (1) of this section. Facilities acquired or held pursuant to this chapter, and any improvements thereon, shall conform to standards adopted by the director and approved by the office of financial management governing facility efficiency unless a specific exemption from such standards is provided by the director of general administration. The director of general administration shall report to the office of financial management <u>and the appropriate committees of the legislature</u> annually on any exemptions granted pursuant to this subsection.

(3) The director of general administration may fix the terms and conditions of each lease entered into under this chapter, except that no lease shall extend greater than twenty years in duration. The director of general administration may enter into a long-term lease greater than ten years in duration upon a determination by the director of the office of financial management that the long-term lease provides a more favorable rate than would otherwise be available, it appears to a substantial certainty that the facility is necessary for use by the state for the full length of the lease term, and the facility meets the standards adopted pursuant to subsection (2) of this section. The director of general administration may enter into a long-term lease greater than ten years in duration if an analysis shows that the life-

cycle cost of leasing the facility is less than the life-cycle cost of purchasing or constructing a facility in lieu of leasing the facility. ((~~For the 2003-05 biennium, any lease entered into after April 1, 2004, with a term of ten years or less shall not contain a nonappropriation clause.~~))

(4) Except as permitted under chapter 39.94 RCW, no lease for or on behalf of any state agency may be used or referred to as collateral or security for the payment of securities offered for sale through a public offering. Except as permitted under chapter 39.94 RCW, no lease for or on behalf of any state agency may be used or referred to as collateral or security for the payment of securities offered for sale through a private placement without the prior written approval of the state treasurer. However, this limitation shall not prevent a lessor from assigning or encumbering its interest in a lease as security for the repayment of a promissory note provided that the transaction would otherwise be an exempt transaction under RCW 21.20.320. The state treasurer shall adopt rules that establish the criteria under which any such approval may be granted. In establishing such criteria the state treasurer shall give primary consideration to the protection of the state's credit rating and the integrity of the state's debt management program. If it appears to the state treasurer that any lease has been used or referred to in violation of this subsection or rules adopted under this subsection, then he or she may recommend that the governor cause such lease to be terminated. The department of general administration shall promptly notify the state treasurer whenever it may appear to the department that any lease has been used or referred to in violation of this subsection or rules adopted under this subsection.

(5) It is the policy of the state to encourage the colocation and consolidation of state services into single or adjacent facilities, whenever appropriate, to improve public service delivery, minimize duplication of facilities, increase efficiency of operations, and promote sound growth management planning.

(6) The director of general administration shall provide coordinated long-range planning services to identify and evaluate opportunities for colocating and consolidating state facilities. Upon the renewal of any lease, the inception of a new lease, or the purchase of a facility, the director of general administration shall determine

whether an opportunity exists for colocating the agency or agencies in a single facility with other agencies located in the same geographic area. If a colocation opportunity exists, the director of general administration shall consult with the affected state agencies and the office of financial management to evaluate the impact colocation would have on the cost and delivery of agency programs, including whether program delivery would be enhanced due to the centralization of services. The director of general administration, in consultation with the office of financial management, shall develop procedures for implementing colocation and consolidation of state facilities.

(7) The director of general administration is authorized to purchase, lease, rent, or otherwise acquire improved or unimproved real estate as owner or lessee and to lease or sublet all or a part of such real estate to state or federal agencies. The director of general administration shall charge each using agency its proportionate rental which shall include an amount sufficient to pay all costs, including, but not limited to, those for utilities, janitorial and accounting services, and sufficient to provide for contingencies; which shall not exceed five percent of the average annual rental, to meet unforeseen expenses incident to management of the real estate.

(8) If the director of general administration determines that it is necessary or advisable to undertake any work, construction, alteration, repair, or improvement on any real estate acquired pursuant to subsection (1) or (7) of this section, the director shall cause plans and specifications thereof and an estimate of the cost of such work to be made and filed in his or her office and the state agency benefiting thereby is hereby authorized to pay for such work out of any available funds: PROVIDED, That the cost of executing such work shall not exceed the sum of twenty-five thousand dollars. Work, construction, alteration, repair, or improvement in excess of twenty-five thousand dollars, other than that done by the owner of the property if other than the state, shall be performed in accordance with the public works law of this state.

(9) In order to obtain maximum utilization of space, the director of general administration shall make space utilization studies, and shall establish standards for use of space by state agencies. Such studies shall include the identification of opportunities for

colocation and consolidation of state agency office and support facilities.

(10) The director of general administration may construct new buildings on, or improve existing facilities, and furnish and equip, all real estate under his or her management. Prior to the construction of new buildings or major improvements to existing facilities or acquisition of facilities using a lease purchase contract, the director of general administration shall conduct an evaluation of the facility design and budget using life-cycle cost analysis, value-engineering, and other techniques to maximize the long-term effectiveness and efficiency of the facility or improvement.

(11) All conveyances and contracts to purchase, lease, rent, transfer, exchange, or sell real estate and to grant and accept easements shall be approved as to form by the attorney general, signed by the director of general administration or the director's designee, and recorded with the county auditor of the county in which the property is located.

(12) The director of general administration may delegate any or all of the functions specified in this section to any agency upon such terms and conditions as the director deems advisable. By January 1st of each year, beginning January 1, 2008, the department shall submit an annual report to the office of financial management and the appropriate committees of the legislature on all delegated leases.

(13) This section does not apply to the acquisition of real estate by:

(a) The state college and universities for research or experimental purposes;

(b) The state liquor control board for liquor stores and warehouses; and

(c) The department of natural resources, the department of fish and wildlife, the department of transportation, and the state parks and recreation commission for purposes other than the leasing of offices, warehouses, and real estate for similar purposes.

(14) Notwithstanding any provision in this chapter to the contrary, the department of general administration may negotiate ground leases for public lands on which property is to be acquired under a financing contract pursuant to chapter 39.94 RCW under terms approved by the state finance committee.

(15) The department of general administration shall report annually to the office of financial management and the appropriate fiscal committees of the legislature on facility leases executed for all state agencies for the preceding year, lease terms, and annual lease costs. The report must include leases executed under section 5 of this act and subsection (12) of this section.

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HOUSE BILL REPORT
SHB 2366

As Passed Legislature

Title: An act relating to accountability, efficiency, and oversight of state facility planning and management.

Brief Description: Requiring oversight of state agency housing decisions.

Sponsors: By House Committee on Capital Budget (originally sponsored by Representatives Dunshee, Jarrett, Ormsby, Hunter and Kenney).

Brief History:

Committee Activity:

Capital Budget: 3/1/07, 3/2/07 [DPS].

Floor Activity:

Passed House: 3/14/07, 95-0.

Passed Senate: 4/13/07, 46-0.

Passed Legislature.

Brief Summary of Substitute Bill

- Improves the oversight, management, and financial analysis of state agency facilities.

HOUSE COMMITTEE ON CAPITAL BUDGET

Majority Report: The substitute bill be substituted therefor and the substitute bill do pass. Signed by 22 members: Representatives Fromhold, Chair; Ormsby, Vice Chair; Schual-Berke, Vice Chair; McDonald, Ranking Minority Member; Newhouse, Assistant Ranking Minority Member; Blake, Chase, Dunshee, Eickmeyer, Flannigan, Goodman, Hankins, Hasegawa, Kelley, McCune, Orcutt, Pearson, Pedersen, Sells, Skinner, Strow and Upthegrove.

Staff: Nona Snell (786-7153).

Background:

The Department of General Administration's Statutory Authority for Leasing Facilities

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This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not a part of the legislation nor does it constitute a statement of legislative intent.

The Department of General Administration (GA) has the statutory authority to acquire, lease, purchase, and dispose of real estate on behalf of all state agencies except for four-year universities, the Department of Transportation, the Department of Fish and Wildlife, the Department of Natural Resources, the State Parks and Recreation Commission, and the Liquor Control Board. This authority includes determining the location, size, and design of real estate and improvements. The Director of GA is required to adopt standards for facilities that must be approved by the Office of Financial Management (OFM). The Director of GA may grant exceptions to the standards and must report to the OFM annually on the exemptions granted.

The GA may delegate their statutory authority for acquiring space for agencies. The GA also charges a fee for services provided for in statute. The GA may not enter into leases longer than 20 years.

Ten-Year Plan

The State Budgeting, Accounting, and Reporting System (RCW 43.88) mandates long-range capital budget planning. State agencies and institutions must submit a 10-year plan of proposed capital spending that is designed to identify future needs and propose capital projects addressing those needs. The OFM's capital budget instructions require submittal of the plan.

Life-Cycle Model

The Joint Legislative Audit and Review Committee (JLARC), in response to a 1996 audit on the cost differences between leased and state owned offices, developed an economic model to quantify and compare all costs involved with state facilities. The model is a tool used to predict the long-term cost differences between state ownership (construction) and leasing of buildings. It includes sensitivity analysis that demonstrates how the results might change given the uncertainty of some assumptions (e.g. lease rate escalation and building occupancy rates). In January 2007, the JLARC completed an update of the model assumptions and built in new capabilities.

The OFM's capital budget instructions require the use of the lease versus ownership decision model for projects using alternative financing (e.g. Certificates of Participation and 63-20 financing). Statute authorizes the GA to enter into long-term leases greater than 10 years if an analysis shows that the life-cycle cost of leasing the facility is less than the life-cycle cost of purchasing or constructing a facility in lieu of leasing the facility. Leases greater than 10 years in duration require approval from the Director of OFM. Statute also requires the GA to conduct an evaluation of facility design and budget using life-cycle cost analysis, value engineering, and other techniques to maximize the long-term effectiveness and efficiency of the facility prior to construction of new or improvement of existing facilities under its management.

The JLARC's 2007 report to the Legislature includes three recommendations: (1) the OFM should maintain the updated life-cycle cost model and should establish clear policies and standards regarding the use of the model in particular, and life-cycle cost analyses in general, as part of the state's capital project review process; (2) the OFM should review all life-cycle cost analyses to ensure that the established policies and standards have been followed and that analyses have been conducted in a manner that is technically sound and accurate; and (3) the OFM should regularly update the cost assumptions in the life-cycle cost model.

History of Studies
Since 1977, at least five studies/reports and a Capital Budget Subcommittee have been tasked with reviewing space utilization policies and practices:
(1) 1977 Performance Audit by the Legislative Budget Committee (now JLARC);
(2) 1987 Office Space Study by the Legislative Budget Committee (now JLARC);
(3) 1991 Department of General Administration Property Development Study by the Washington State Commission for Efficiency and Accountability in Government;
(4) 1995 Performance Audit regarding Capital Planning and Budgeting: Study of Leasing Versus Ownership Costs by the Legislative Budget Committee (now JLARC);
(5) 1999 House Capital Budget Subcommittee on State Leasing Policy; and
(6) 2001 Analysis of Thurston County Lease and Space Planning by GA.

The reports include similar conclusions and recommendations, including:
- short and long-term facilities plan analysis, development, evaluation, and implementation is necessary;
- clearly delineated and comprehensive state management policy of space utilization should be developed;
- comprehensive goals and objectives are needed;
- coordination between leasing activities, and capital facilities planning and budgeting should be improved;
- facilities space management and capital construction reporting system development to forecast growth and evaluate space utilization is necessary;
- delegated authority should be analyzed to assure that it provides controls necessary for acquisition of leased space that is within stated standards and provides economical, efficient, and effective operation of state agencies; and
- economic analysis of lease versus owned facilities is necessary.

The 1999 House Capital Budget Subcommittee (Subcommittee) on State Leasing Policy addressed these issues by recommending that state agencies be restricted from entering into lease agreements prior to constructing a building. In addition, the Subcommittee recommended that the GA not enter into lease agreements on buildings larger than 20,000 square feet that are in the construction or planning stage of development unless the lease is specifically approved by the Legislature. No action has been taken by the Legislature or the GA on this recommendation.

The OFM Best Practices Report
The 2006 Supplemental Capital Budget required the OFM to report to the Legislature by September 1, 2007 on best practices for managing capital project costs; best practices in the state's capital budgeting process and public works contracting procedures; appropriate uses of alternative capital project financing; and risk management.

Data Systems

There are three main data systems for tracking state owned and occupied facilities throughout the state: (1) the GA's facilities data system; (2) the OFM's Facility Inventory System; and (3) the OFM's statewide accounting system.

(1) The GA's facilities data system: the GA's facilities data includes facilities leased, purchased or owned by GA on behalf of agencies and delegated leased space entered into by agencies.

(2) The OFM's Facility Inventory System: Statute requires agencies to provide an annual inventory of owned and leased facilities to the OFM who must develop and maintain an inventory system to account for all owned or leased facilities used by state government. OFM is required to publish a report summarizing the information contained in the inventory system by October 1 every year.

(3) The OFM's statewide accounting system: The state's accounting system has one object that commingles facility leases with other types of leases including furnishings, equipment, and software.

Summary of Substitute Bill:

By October 1, 2007, the OFM must consult with the Legislature to prepare an implementation plan to improve the oversight and management of state agency space. The plan must be submitted to the Governor and the Legislature.

By October 1, 2008, the OFM must, in consultation with the Legislature, design and implement a life-cycle cost analysis model based on the work completed by the JLARC in January 2007. The OFM must do the following with the life-cycle cost model:

- make it available for use by state agencies;
- update it periodically; and
- establish policies, standards, and procedures regarding its use.

The OFM must design and implement a modified predesign process for space requests to lease, purchase, or build facilities for new state programs, expanded programs, or the relocation of programs including the consolidation of multiple state agency tenants into one facility. The OFM will define facilities that meet this criteria. The modified predesign must include a problem statement, an analysis of alternatives to address programmatic and space requirements, proposed locations and a financial assessment, and it must be submitted to the OFM and the Legislature. Projects that are smaller than 20,000 square feet may provide a cost-benefit analysis rather than a life-cycle cost analysis. Major projects, costing $5 million or more, are not required to prepare a modified predesign.

The OFM's 10-year capital budget plan is required to include agencies' plans for major leased facilities, and agencies may not enter into new or renewed leases of more than $1 million per year unless the leases have been approved by the OFM, except in the case of an emergency. Agencies must identify operational costs savings, and may not enter into lease agreements for privately owned buildings that are under development unless the director of the OFM gives prior approval.

The OFM must work with the GA and other agencies to determine long-term facility needs to develop a six-year facilities plan to be submitted to the Legislature by January 1 every odd-numbered year, beginning in 2009. The six-year plan must include agency space requirements and other data necessary for facility planning.

The statute requiring the OFM to develop and maintain a facility inventory system is amended to require the inclusion of facility owners and for a report of the system to be submitted to the Legislature annually. The OFM must also report to the Legislature by September 1, 2008, on recommendations to improve the system, including the cost and implementation schedule. The report must include recommendations regarding accountability improvements and recommendations to assist in the evaluation of budget requests and facility management.

Before the GA acquires property through leases, purchases, rent or other means they must consult with the OFM.

The GA is required to report to the Legislature and the OFM annually on exemptions granted to facility efficiency standards, on delegated leases, and all facility leases executed for all agencies in the preceding year.

Appropriation: None.

Fiscal Note: Available.

Effective Date: The bill takes effect 90 days after adjournment of session in which bill is passed.

Staff Summary of Public Testimony:

(In support) Concern about the amount of funds spent in the operating budget for debt service led to questions about how much of the operating budget is spent on facility leases and how decisions about leases or purchases are made. Lack of answers to these questions lead to the Joint Legislative Audit Review Committee (JLARC) update of the life-cycle cost study model. The JLARC concluded that there are current problems with accountability, efficiency, and transparency.

The bill requires that the Director of the Office of Financial Management (OFM) approve leases. This will lead to more accountability, efficiency, and transparency.

The Department of General Administration (GA) is working on a six-year facilities plan that includes a pilot. The pilot may be put on hold while implementing the bill. The GA needs a more comprehensive database for leased and owned portfolio management. The GA looks forward to working in partnership with the OFM to implement the bill.

The OFM is interested in good information that is usable. The structure and timing in the bill will produce usable information from agencies.

(Opposed) None.

Persons Testifying: Representative Dunshee, prime sponsor; Linda Bremer, Department of General Administration; and Wolf Opitz, Office of Financial Management.

Persons Signed In To Testify But Not Testifying: None.

ATTACHMENT B:
INTERIM FACILITIES REVIEW PROCESS

OFFICE OF FINANCIAL MANAGEMENT
Interim Facilities Review Process

1.1 Need for Interim Facilities Review Process

Introduction/ Background

The 2007 Legislature passed Substitute House Bill (SHB) 2366 to strengthen state agency facility oversight. The legislation takes effect July 22 and gives the Office of Financial Management (OFM) a number of new tasks. The first task is the development of an implementation plan that will produce recommendations to improve facility oversight of real estate procurement and management practices for state agency-owned and leased space. The final implementation report is due to the Legislature and the Governor by October 1, 2007.

The implementation planning process is important because it provides an opportunity to gather input from all state entities on the best practices and procedures in use throughout state government. The plan is also important because there are a substantial number of new and potentially complex tasks set out in the legislation. Specifically we are to:

- Report to the Legislature by September 1, 2008, on recommendations to: 1) Improve the facility inventory system – including cost and schedule; 2) Improve accountability; and 3) Establish ways to assist in the evaluation of budget requests and facility management.
- Design and implement a life-cycle cost analysis model, by October 1, 2008, based on the work completed by the Joint Legislative Audit and Review Committee (JLARC) January 2007.
- Work with the Department of General Administration (GA) and other agencies to determine long-term facility needs to develop a six-year facilities plan to be submitted to the Legislature by January 1 of every odd-numbered year, beginning in 2009.
- Design and implement a modified predesign process for any space requests to lease, purchase, or build facilities for new state programs, expanded programs, or the relocation of programs that will need to be submitted by state agencies.
- Require all major leased facilities to appear in the Governor's 10-year capital budget plan beginning with the 2009-11 biennial capital budget proposal.
- Submit a facilities inventory to the Legislature annually.

In addition, SHB 2366 *prohibits* agencies from entering into new or renewed leases with costs over $1 million per year, and *prohibits* agencies from entering into lease agreements for privately-owned buildings that are under development

unless the leases have been approved by the OFM Director.
In addition, the legislation provides that before GA can acquire property through leases, purchases, rent, or other means, it must consult with OFM.

For more information, see SHB 2366.
http://apps.leg.wa.gov/billinfo/summary.aspx?bill=2366.

Purpose

As noted above, this legislation becomes effective July 22, 2007. Because of this effective date, OFM needs to begin reviewing new requests for space and leases prior to completion of the implementation plan. The sections below outline the interim process.

Effective Date

This process is effective immediately and will continue until the recommendations from the implementation plan can be carried out.

1.2 Definitions

State Agencies

Is defined as all state entities, including Agencies managed by Governor' Appointees, Agencies Governed by a Board, Agencies managed by Elected Officials, and Higher Education Institutions, unless otherwise noted.

Under Development

Under Development includes:
Space Under Construction is defined by GA as a project with, at a minimum:
1. A building permit, and
2. A loan commitment (or proof of funds) necessary to complete the project.

Planned Office Space is defined by GA as a project with, at a minimum:
1. Authority from the controlling municipality to proceed with the construction of the project, as contained in the following:
   (a) Site plan approval, or local equivalent to proceed with the specific project;
   (b) State Environmental Policy Act (SEPA) Determination of Non-Significance (DNS) or Mitigated Determination of Non-Significance (MDNS) for the specific project.
2. Lender's letter of credit or letter of interest.

Real Estate Authority

Is defined as the entity responsible for developing and approving real estate documents on behalf of the state agency. For most agencies, this is GA, however, as specified in RCW 43.82.010, delegation of real estate functions are provided to:

- State colleges and universities for research and experimental purposes;
- State Liquor Control Board for liquor stores and warehouses,
- Department of Natural Resources, Department of Fish and Wildlife, Department of Transportation, and State Parks and Recreation Commission for purposes other than leasing of offices, warehouses and real estate for similar purposes.

1.3 Process for Lease Activity Oversight

Objective GA must consult with OFM before acquiring property to meet the intent of the legislation. An interim process is being implemented for all lease reviews.

Applies To All leases for state agencies supported by GA.

Timeline Ongoing

Process GA will provide a leasing worksheet to OFM regularly. The worksheet will include key information, but is not limited to: The name of the state agency housed, square footage, current and negotiated lease information, and market conditions.

OFM will review information provided, obtain any necessary feedback from stakeholders (state agencies, GA, and other OFM staff), and confer with GA prior to processing and approval of all leases.

Copies of materials will be maintained by OFM.

Document(s) GA Leasing Worksheet
State Leases, when appropriate
Supplemental Information, when requested

1.4 Process for Oversight on New Leases, Leasehold Exchange, Expansions, Relocations, and Purchases

Objective To meet the intent of the legislation, a modified pre-design process must be completed for space requests to be leased, purchased, or built. New state program facilities, expanded programs, or the relocation of a program will be submitted to OFM. An interim process is being implemented for these projects.

Applies To All projects for all state agencies working to obtain any new or replacement space.

Timeline The modified predesign (Business and Facilities Summary) should be submitted at least 18 months prior to the expected occupancy date, but may be submitted at any time. This document must be completed and approved by OFM prior to any solicitation of space. Generally, OFM will review and provide a response to the agency and the Real Estate Authority within 30 business days.

Process The requesting state agencies will complete the Business and Facilities Summary or a similar alternatively agreed upon document. If the project is more than 20,000 square feet, completion of the JLARC Life-Cycle Cost Model is also required.

All state agencies shall provide the completed document to the Facilities Oversight Assistant, Amy McMahan, for consideration of all projects. If GA is your Real Estate Authority, please provide a copy to Le Perry, Leasing Manager. This document must be approved by the requesting agency's director or his/her designee prior to submission.

OFM may obtain supplemental information as necessary from stakeholders to assist in analysis of the submission.

The Facilities Oversight Assistant will review the request and supplemental information and engage the state agency, OFM staff, legislative staff, and the Real Estate Authority in discussion as necessary.

Decisions will be documented by OFM and provided to the agency representative and the Real Estate Authority.

Real Estate Authorities shall not move forward with any new lease, relocation, expansion, leasehold exchange, or purchase without the approval of OFM.

Following OFM approval, the Real Estate Authority will prepare and submit quarterly updates on all projects.

Copies of documents will be maintained by OFM.

Document(s)

Business and Facilities Summary
JLARC Life Cycle Costing Model, when applicable
Supplemental Information, when requested

1.5 Process for Lease Approval on Leases Over 10 Years

Objective

The intent of RCW 43.82.010 states that the Director of GA may enter into a long-term lease greater than ten years in duration, upon a determination by the OFM Director that the lease terms:

1. Present a more favorable rate than would otherwise be available,
2. Are necessary for use by the state for the full length of the lease term, and
3. The facility meets the standards adopted by GA.

The Director of GA may enter into a long-term lease greater than ten years in duration if an analysis shows that the life-cycle cost of leasing the facility is less than the life-cycle cost of purchasing or constructing a facility in lieu of leasing the facility.

Applies To All leases for state agencies supported by GA.

Timeline This information may be submitted at any time, but must be completed and approved by OFM prior to the signature of the lease document by GA. Generally, OFM will provide a written response within ten business days.

Process The state agency must complete the requested GA 10-Year Lease Justification Form and coordinate with GA on the completion of the JLARC Life-Cycle Cost Model once the draft lease is developed.

These documents shall be submitted to the GA Director by Real Estate Services with a cover letter that defines how this long-term lease will meet the criteria listed above. If approved, the GA Director will acknowledge the terms and conditions, prepare a cover letter with the concurrence, and forward these documents to the OFM Director via the Facilities Oversight Assistant for a determination.

The Facilities Oversight Assistant will review the request and supplement any information, and engage the state agency, OFM staff, legislative staff, and the Real Estate Authority in discussion as necessary. An analysis of the justification will be conducted by the Facilities Oversight Assistant and a recommendation made to the OFM Director.

If approved by the OFM Director, GA will proceed with the finalization of the lease. If denied, alternative terms and conditions will be negotiated by GA in coordination with OFM.

GA must also follow the process listed above for lease activity oversight.

Copies of documents will be maintained by OFM.

Document(s) Justification Memo
GA 10-Year Lease Justification Form
JLARC Life Cycle-Costing Model, when applicable

1.6 Process for Lease Approval on Leases Over $1 Million Annually

Objective To meet the intent of the legislation that prohibits state agencies from entering into new or renewed leases with costs over $1 million per year unless the leases have been approved by the OFM Director.

Applies To All leases over $1 million for all state agencies.

Timeline This information may be submitted at any time, but must be completed and approved by OFM prior to the signature of the lease document by the Real Estate Authority. Generally, OFM will provide a documented response within ten business days.

Process The appropriate Real Estate Authority will provide the lease terms and conditions to the Facilities Oversight Assistant with a justification memo.

The justification memo must include: the state entity leasing the space, the location of the lease, the total value of the lease, the length of the lease, the square footage of the building, the breakdown of the costs (base lease costs, other ongoing costs, and construction costs), a comparison of these costs to the agency budget, a description of any additional monetary terms and conditions (moving incentives, construction allowances, etc.), a comparison of these terms to the agency budget, a description of any option to purchase language, and a list of reasons why this lease is necessary at this cost. A copy of the draft lease must accompany the justification memo.

The Facilities Oversight Assistant will review the request, supplement any information, and engage the state agency, OFM staff, legislative staff, and the Real Estate Authority in discussion as necessary. An analysis of the justification will be conducted by the Facilities Oversight Assistant and a recommendation made to the OFM Director.

Upon a determination by the OFM Director, documentation of the outcome will be provided to the Real Estate Authority and the state agency.

Appropriate follow-up action shall be taken by the Real Estate Authority.

Copies of documents will be maintained by OFM.

Document(s) Justification Memo
State Lease

1.7 Process for Project and Lease Approval for Privately-Owned Buildings Under Development

Objective To meet the intent of the legislation that prohibits state agencies from entering into lease agreements for privately-owned buildings that are under development unless the leases have been approved by the OFM Director.

Applies To All projects for all state agencies working to obtain any new or replacement space.

Timeline This information may be submitted at any time, but must be completed and approved prior to the signature of the lease document by either party.

Process The appropriate Real Estate Authority will provide the lease terms and conditions to the Facilities Oversight Assistant with a justification memo as soon as a building that meets the definition of a building under development has been selected, typically with the development of an apparent successful proposer letter or the letter of intent.

The justification memo must include: the state entity leasing the space, the location of the lease, description of alternatives available, a comparison of the alternatives explored based on the evaluation criteria used, and a list of reasons why the building is the preferred alternative. A copy of the draft lease terms, via a letter of intent or alternative document, must accompany the justification memo.

An analysis of the justification memo will be conducted by the Facilities Oversight Assistant and a recommendation made to the OFM Director.

Upon a determination by the OFM Director, documentation of the outcome will be provided to the Real Estate Authority and the agency.

Appropriate follow-up action shall be taken by the Real Estate Authority.

Copies of documents will be maintained by OFM.

Document(s) Justification Memo
Letter of Intent or Alternative Document with Lease Terms

1.8 Submissions, Questions or Comments?

Feedback This is an interim process that may need revision and clarification as we establish the OFM oversight role. Your feedback will provide valuable input to improve this role. To provide comments or ask questions:

Contact

Amy McMahan
Facilities Oversight Assistant
Office of Financial Management
P.O. Box 43113
Olympia, WA 98504-3113
(360) 902-9824
amy.mcmahan@ofm.wa.gov

ATTACHMENT C:
LIST OF STAKEHOLDERS INTERVIEWED

LIST OF STAKEHOLDERS INTERVIEWED

Legislators and Legislative Staff

Reprsentative Hans Dunshee
Senator Karen Fraser
Representative Fred Jarrett
Susan Howson, Staff Coordinator, House Capital Budget Committee
Steve Masse, Fiscal Analyst, House Capital Budget Committee
Brian Simms, Capital Budget Coordinator, Senate Ways and Means Committee
Nona Snell, Fiscal Analyst, House Capital Budget Committee

Office of Financial Management Staff

Amy McMahon, Long Term Facilities Analyst
Wolfgang Opitz, Deputy Director
Tom Saelid, Senior Budget Assistant

Department of General Administration Real Estate Services Division

Bob Bippert, Senior Deputy Assistant Director
Ted Cohen, Manager, Design Group
Craig Donald, Project Director, Executive Office Plaza/Heritage Center Project, Facilities Division
Tom Evans, State Capital Facilities Planning Manger, Planning & Policy Group
Le Perry, Leasing Manager
Michael Van Gelder, Acquisitions/Disposal Manager, Facilities Division
Ron Wall, Leasing Agent, Eastern Washington
Guy Winkleman, Senior Planner, Facilities Division

State Agencies

Kathleen Brockman, Director, Office of Contracts, Properties & Procurement, Financial Services Division, Washington State Department of Social and Health Services

John Broome, Acting Director, Administrative Services, Washington State Department of Transportation

Larry Dittloff, Manager, Space and Lease Management, Washington State Department of Transportation

Dennis Flynn, Manager, Natural Resources Division, Engineering Department, Washington State Department of Natural Resources

Suzette Frederick, Director of Office of Facilities and Business Services, Washington State Department of Health

Dean Heglund, Facilities Senior Planner, Facilities Services, Washington State Department of Labor and Industries

Ilene Frisch, Budget Director, Washington State Department of Parks & Recreation Commission

Julie Howard, Facilities Planner, Engineering Division, Washington State Department of Fish & Wildlife

Sean Mill, Facilities Manager, Office of Capital Programs, Washington State Department of Corrections

Lenore Miller, Project Manager, Washington State Department of Fish & Wildlife

Steve Morris, Program Manager, Facilities Services, Washington State Department of Labor and Industries

Christine Olsen, Lands and Buildings Division Director, Washington State Department of Social and Health Services

Katherine Randall-Duffy, Facility Manager, Washington State Employment Security Department

Karen Schultz, Facilities Planner, Washington State Department of Transportation

Higher Education Institutions

Roxann Dempsey, Public Records Officer, Business & Finance, Eastern Washington University

Gloria Fletcher, Asset Manager, Real Estate Office, University of Washington (formerly with Washington State Department of General Administration)

Doug Forhan, Real Property Manager, Western Washington University

Rich Heath, Senior Associate Vice President, Business & Finance, Washington State University

Jeanette Henderson, Director of Real Estate, Real Estate Office, University of Washington

Randy Hodgins, Director, Office of State Relations, University of Washington

John Hurley, Vice President, Finance & Administration, Evergreen State College

Colleen Pike, Director, Capital and Space Planning Office, University of Washington

Bruce Porter, Director, Business Services & Contracts, Central Washington University

Greg Royer, Vice President, Business & Finance, Washington State University

Terry Teale, Executive Director, Council of Presidents

Tim Wynn, Director of Facilities Management, Western Washington University

Other States

Paul Carlson, Chief Operating Officer, General Services, Department of Administrative Services, State of Iowa

Robert Cramer, Administrator, Division of State Facilities, State of Wisconsin

Jim Derby, Policy Coordinator, Real Estate Leasing and Planning Section, State of California

John E. Forrest, Deputy Director, Division of Real Estate Services, State of Virginia

Sheral Gates, Portfolio Manager, Real Estate and Planning Section, State of California

Alyn Lunceford, Real Estate Manager, Division of Facilities, Construction, and Management, Department of General Administration, State of Utah

Private Sector

James Ableson, Senior Director, Real Estate and Facilities, Microsoft

Richard Arscott, Director, Corporate Real Estate, Boeing Realty Corporation

Rick Little, Director, Real Estate, Weyerhaeuser

Campbell Mathewson, Vice President and Designated Broker, Century Pacific
Rick Osterhout, Broker, GVA Kidder Matthews
Lane Premo, First Vice President, Washington Mutual
Stan Sidor, Appraiser, GVA Kidder Matthews
Larry Woodbury, Director, Enterprise Services, PEMCO

Government Building Owners & Lessors Association (GBOLA)

Mark Gjurasic, Lobbyist
Fred Hines, Member, PCF Real Management Services, Inc.
Mark Lahaie, Member, MJR Development (formerly with the Washington State Department of General Administration)
Brent McKinley, Member, Vine Street Group
Jim Morris, Member, MPH Holdings LLC
Paul Neal, Member
Tim Nelson, Member, Nelson Realty Advisors
Connie Tobeck, Executive Director

ATTACHMENT D: INTERVIEW PROTOCOL DOCUMENTS

The interview protocol documents contained herein serve as a sample and guideline for the questions asked during stakeholder interviews with different parties. The actual questions asked may have been modified slightly depending on the specific circumstances of the individual or organization being interviewed.

OFM REAL ESTATE OVERSIGHT PROJECT

Stakeholder Interview Questions

1. What is the relevant project background from your perspective? What were the events/situation that led to SHB 2366?

2. What are the greatest problems and challenges with the current system?

3. What are the key oversight needs?

4. What oversight actions would improve how the State manages office/warehouse space acquisition and disposition?

5. What are the politics and key stakeholder issues around this issue?

6. Best practices: Are you aware of other states or entities that do a good job of managing space for complex organizations? Are there particular entities that you are interested in hearing about, regarding real estate management oversight practices?

7. What would be the ideal outcome of this project, from your perspective? What would make this project a success?

8. Who else should we be talking to? Legislators? Other stakeholders?

OFM REAL ESTATE OVERSIGHT PROJECT

Interview Questions for GA/RES

Current RES System

1. What is the current leasing process, beginning with the agency's space request?
   a. What is the process for RES staff review and evaluation of the agencies' space requests? Who is responsible for it?
   b. Does the space request need to be filled out for renewals?
2. What is the current process for lease renewals? How far in advance of lease expiration does it begin?
3. How do market and financial analyses factor into leasing or acquisition/disposition decisions?
4. Is there a decision process for leasing vs buying and at what stage of the space request process?
   a. How much do agencies get involved with making this decision?
   b. Is lifecycle analysis currently used?
   c. What improvements could be made to this decision-making process?
5. Is there a specific asset management system or database used to inventory the facilities?
   a. What type of data does this system contain?
   b. How often is it updated and who is responsible for that?
   c. What types of reports can the system generate? Are they customizable?
   d. Does information get stored historically or get overwritten once leases expire or buildings are sold?
6. What is the current communication process with OFM? When does OFM get involved?
7. Does GA contract with outside firms for any services, such as leasing or property management?
8. There are a number of performance measures listed in RES Business Plan. How often are these performance measures pulled together and reviewed?
   a. Is there a report? Who prepares it and how often? (Can we please request a copy?)
   b. Who reviews these measures and are there any consequences if the standards are not met?

Client Agency Involvement

9. What is the current communication process with client agencies during the negotiation of a given transaction? Do client agencies get involved with Landlord or Developer negotiations, or is it strictly a RES prerogative?
    a. How are client agencies involved in the space search process?
    b. Can client agencies specify facilities they would like to be located in?
10. If there is a conflict between what the client agency wants and what RES thinks is best (in terms of space needed, lease terms, or planned improvements), how does that get handled?
11. What is the process for RES delegating lease signing authority to its client agencies?
    a. In what circumstances and why would GA delegate the authority to sign leases to its client agencies?
    b. Is there a limit on square feet or value of the lease that would preclude delegation?
    c. Does delegation include the authority to negotiate the lease terms?
    d. Do RES or OFM stay involved with delegated transactions in some review or oversight capacity?

Other

12. What are the functions of the property management division – does GA provide property management services to leased or owned facilities, or both? Similarly, what are the functions of maintenance operations?
13. What are the greatest problems and challenges with the current system?
14. Who else should we interview – who might provide the context about current processes and state of affairs?
15. Best Practices for real estate oversight:
    a. What are other states or private entities that do a good job of managing space for complex organizations? Who should we be interviewing regarding best practices?
16. What would be the ideal outcome of this project, from your perspective? What would make this project a success?

OFM REAL ESTATE OVERSIGHT PROJECT

Interview Questions for State Agencies

OVERVIEW

The State of Washington Office of Financial Management (OFM) is conducting a study to determine how to improve real estate procurement and practices related to state agency owned and leased facilities. The study, which is being conducted by the consulting firm, Berk & Associates, will identify specific steps for the OFM to take so that the State of Washington can better manage the acquisition, ownership, lease and disposition of office and warehouse space.

Part of the study involves speaking with GA client agencies to learn more about the strengths, challenges, and opportunities regarding the leasing, space request, and procurement process. Responses to the questions below will provide valuable information for determining how the State can improve its services, regulations, and policies within these specified areas.

Leasing Process

1. What is the **structure** of the real estate management at your Agency? Are there specific staff members that participate in determining space needs?
2. Within your Agency, what is the current leasing process for issuing **space requests** to the GA?
    a. How does your agency determine the need for new or additional space? Who is involved in the decision-making process?
    b. Who in your Agency is responsible for issuing the request?
    c. How do you determine that your Agency has the necessary budget and that the space request has sound assumptions?
    d. How efficiently and effectively does the GA handle reviewing and evaluating State agency space requests?
3. Within your Agency, what is the process for **lease renewals**? How far in advance of lease expiration does it begin?
    a. When does the GA notify your Agency that a lease is expiring?
    b. How far in advance does your Agency issue renewal requests for renewal? Do you feel this is enough time for the GA to evaluate and process requests?
4. What is the process for determining **lease versus own** decisions? Who is involved with these decisions? Your Agency? The GA?
    a. Does financial analysis get factored into leasing or acquisition/disposition decisions before leasing requests are issued?

   b. What improvements could be made to this decision-making process?

5. Does your Agency track its facilities inventory or is it primarily done by GA? Is there an asset management system or database used to inventory the facilities?

Planning

6. What is the approach to **long-range facilities planning** within your Agency?
   a. Who is involved in this process?
   b. Is there a set of goals for this effort?
   c. What is the duration of planning (i.e. is it a 10 year plan, a 5-year plan, is it organized on fiscal cycles)?
   d. How frequently is the plan updated?
   e. Is the GA or OFM involved in this process?

7. Is the development of a **six-year facilities plan**, which HB 2366 now requires of all State agencies, beneficial to determining, managing, and prioritizing space needs within your Agency?

Interaction with GA

8. How does your Agency and the GA **communicate during the negotiation** of a given transaction?
   a. How is your Agency involved in the space search process?
   b. Does your Agency generally specify facilities it would like to be located in?
   c. Does your Agency get involved with landlord or developer negotiations, or is it strictly a GA prerogative?

9. If there is ever a **conflict** between what your Agency wants and what GA thinks is best (in terms of space needed, lease terms, or planned improvements), how does that get handled?

10. What is the process for GA **delegating lease signing authority** to client agencies?
    a. In what circumstances would GA delegate the authority to sign leases to its client agencies?
    b. Is there a maximum size (in square feet) or value of the lease that would preclude delegation?
    c. Does delegation include the authority to negotiate lease terms?
    d. Does GA or OFM stay involved with delegated transactions in some review or oversight capacity?

Closing Questions

11. What are the **strengths** and what are the **challenges** with the current system?
12. Who else should we **interview** – who might provide the context about current processes and state of affairs?
    a. Can you recommend other states or private entities that do a good job of managing space for complex organizations? Who should we be interviewing regarding best practices?
13. What would be the **ideal outcome** of this project, from your perspective? What would make this project a success?

OFM REAL ESTATE OVERSIGHT PROJECT

Best Practices Research

Interview Questions for Other States

OVERVIEW

The State of Washington Office of Financial Management (OFM) is conducting a study to determine how to improve real estate procurement and practices related to state agency owned and leased space. The study, which is being conducted by the consulting firm, Berk & Associates, will identify specific steps for the OFM to take so that the State of Washington can better manage the acquisition, ownership, lease and disposition of office and warehouse space.

Part of the study involves researching best practices in other states to analyze how they manage their state-owned facilities. Responses to the questions below will provide valuable information for Washington regarding how it can more efficiently administer, monitor, and oversee warehouse and office space for its state agencies.

INTERVIEW QUESTIONS

General Information & Organizational Structure

- What is the role of your Agency/Division regarding real estate procurement and management of office and warehouse space for state agencies? Who are the other players?
    - Are there any state agencies that your Agency/Division does not work with?
- What is the structure of the real estate management division at your Agency/Division? How many full-time personnel are there and how are staff grouped (i.e. leasing, acquisition/disposition, property management, etc)?
    - Is it possible to have a copy of your organizational chart?
- How is your Agency/Division funded (i.e. commission, fee for service, allotment, other revenues)?
- Roughly (as a percentage), how much of state agency space is currently leased and owned?
- Do you know how many square feet of office and warehouse space your Agency/Division leases and owns?

Process

- Once a space request is submitted, how far in advance does the lease renewal process or search for new space get started?

    - Do you consider this amount of time sufficient to negotiate a renewal or find a new space?
- Is there continued involvement from your Agency/Division after a lease is signed?
    - If so, in what way are you involved?
    - For how long?

Tools, and Analysis

- How do you track your facilities inventory?
    - Is a specific asset management system or database used? Does this system have the ability to separately track leases for land, building, and structures among agencies?
    - What type of data does this system contain?
    - How often is it updated and who is responsible for that?
    - What types of reports can the system generate? Are they customizable?
    - Does information get stored historically or get overwritten once leases expire or buildings are sold?
- What type of analysis is performed to assist in the decision-making process of leasing vs constructing or buying a facility?
    - Is there a specific financial model that quantifies the long-term cost differences between ownership and leasing?
    - Who makes leasing vs owning decisions and in what stage of the process?
- Does your Agency/Division ever delegate lease signing authority to client agencies?
    - If this does happen, in what circumstances would this occur?
    - Is there a limit on square feet or value of the lease that would preclude delegation?
    - Does delegation include the authority to negotiate the lease terms?
    - Does GA or OFM stay involved with delegated transactions in some review or oversight capacity?

Planning

- Is your Agency/Division involved in long range planning?
  - If so, how is it involved? (i.e. at an individual client agency level, regional level, etc).
  - Is there a set of goals for this effort?
  - What is the duration of that planning (i.e. is it a 10 year plan, a 5-year plan, is it organized on fiscal cycles)?
  - How frequently is it updated?
- What resources are dedicated to this function (number of people, types of positions, etc.)?

Roles and Oversight

- How is Agency performance measured? Do you have reporting metrics?
- Is there a specific oversight function within or outside of your Agency/Division to ensure compliance with standard policies and procedures as well as determine that quality analysis regarding real estate decision-making is occurring?
  - Who is responsible for this?
  - How is oversight defined?
  - Do all projects have oversight? If not, what projects have oversight and when?
- How much influence and authority does your Agency/Division have in directing where agencies are housed?
  - Are there any circumstances where housing an agency in a given locale may have negative financial impacts on the state, but is approved anyway?
- Have there been cases when state agencies make space requests for additional or new space that are not financially and logistically viable?
  - What happens when this occurs?
  - How often does this happen?
- Does your Agency/Division ever contract with an outside firm for real estate leasing and/or management? If so, please describe how this relationship is structured.

Closing Questions

- Are there any initiatives or recent policies to improve how your state does business regarding real estate oversight, management, analysis, and service delivery?
- Can you recommend anyone else we should talk to about these issues?

OFM REAL ESTATE OVERSIGHT PROJECT

Best Practices Research

Interview Questions for Private Sector Companies

OVERVIEW

The State of Washington Office of Financial Management (OFM) is conducting a study to determine how to improve real estate practices related to state agency owned and leased space. The study, which is being conducted by the consulting firm, Berk & Associates, will identify specific steps for the OFM to take so that the State of Washington can more efficiently manage the leasing, acquisition, and disposition of office and warehouse space.

Part of study involves researching best practices in private industry and understanding how large companies manage their real estate processes in order to determine if any standard practices might be applicable to the State of Washington. Responses to the questions below will provide valuable information for Washington regarding how it can more efficiently administer, monitor, and oversee warehouse and office space for its state agencies.

INTERVIEW QUESTIONS

General

1. What types of real estate services does your division provide for the company?
2. How is the real estate management function structured within your company?
    a. Are real estate decisions made centrally or in a more dispersed fashion?
    b. Is there a separate department/division charged with real estate management? If so, what is its focus and responsibility?
    c. How is the real estate management division at your company organized? How many full time personnel are there and what are the work units (planning & analysis, leasing, acquisition/disposition, property management, etc)?
    d. Does your firm contract with an outside firm for real estate leasing and/or management? If so, please describe the responsibilities of the outside firm and how this relationship is structured.
3. Approximately how many square feet of office and warehouse space does your company lease and own? (optional)

Planning

4. Does your company engage in long range planning for real estate and facilities? If so, what do these planning efforts look like?
    a. Is there a set of goals for this effort?
    b. What is the timeline of that planning (i.e. 10 year plan, 5 year plan, fiscal cycles, etc)?
    c. How frequently is the plan updated?
    d. What resources are dedicated to long range planning? (i.e. number of staff, types of positions)
5. Who monitors upcoming lease expirations and how far in advance of expiration does the renewal process or search for new space get started? Do you consider this amount of time sufficient to negotiate a renewal or find a new space?
6. Who decides when new or additional space is needed? What is the process?

Tools and Analysis

7. What type of analysis is performed to determine how much space is necessary?
8. What type of financial analysis is performed to assist in decision-making process of leasing vs. constructing or buying a facility?
    a. Is there a financial model that quantifies the long-term cost differences between ownership and leasing?
    b. Who makes leasing vs owning decisions and at what stage of the process?
    c. How far into the future are costs projected when evaluating leasing vs. owning?
9. How does your company track its facilities inventory? Is an asset management system or database used to inventory the facilities?
    a. What type of data does this system contain?
    b. How often is it updated and who is responsible for that?
    c. What types of reports can the system generate? Are they customizable?
    d. Is historical information stored for tracking and comparative purposes?

Responsibility and Reporting

10. How much decision-making influence and authority does your real estate division have in directing where other company divisions/departments are housed?
    a. When is it appropriate for other company divisions/departments to make real estate decisions without the involvement of your real estate division?

11. In general, what do you see as the current strengths and challenges in how your real estate division currently provides it services? What works well within your current system, and what could be improved?

12. Where is responsibility for monitoring whether private building owners are meeting their contractual obligations relating to building maintenance and negotiated tenant improvements delegated?

13. How is performance measured in your real estate group?

    a. Are there specific performance measures to evaluate your real estate division's transactions and management of real estate?

    b. Are there performance measures and/or targets for individuals?

    c. How often are these performance measures collected and reviewed?

    d. Who reviews these performance measures and what actions, if any, are taken in the case of underperformance?

ATTACHMENT E:
LIST OF ACRONYMS

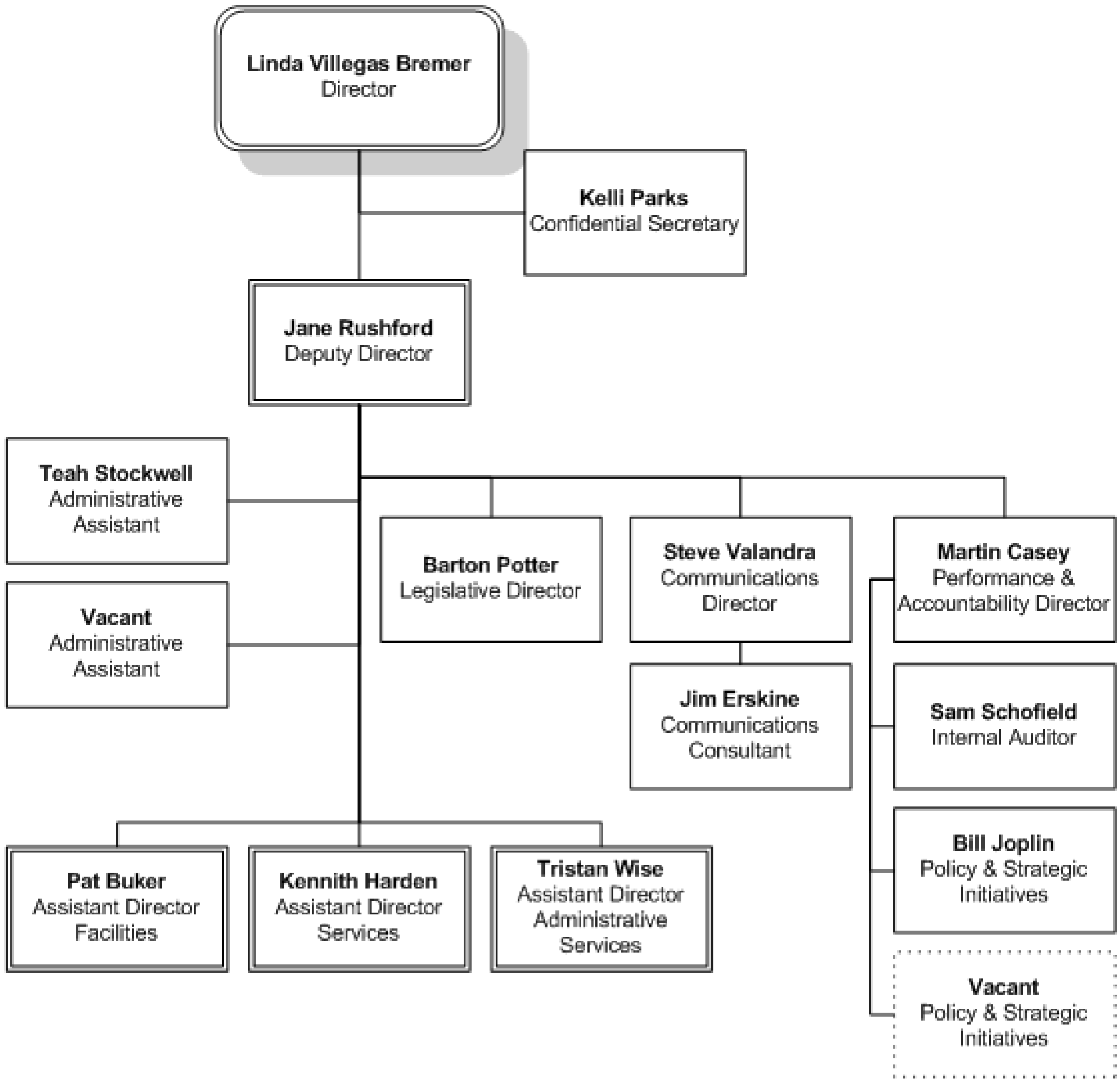
LIST OF ACRONYMS

ARM	Agency Relationship Manager
CASPO	Capital and Space Planning Office, University of Washington
CFO	Chief Financial Officer
COP	Council of Presidents
CWU	Central Washington University
DAC	Deputy Assistant Commissioner
DAS	Department of Administrative Services, Iowa State
DFCM	Division of Facilities, Construction, and Management, Utah State Department of Administrative Services
DGS	Department of General Services, Virginia State and California State
DNR	Department of Natural Resources
DOC	Department of Corrections
DOF	Department of Finance
DRES	Real Estate Services Division, Virginia State Department of General Services
DSF	Division of State Facilities, Wisconsin State Department of General Administration
DSHS	Department of Social and Health Services
ESD	Employment Security Department
EWU	Eastern Washington University
FD	Facilities Division, Washington State Employment Security Department
FTE	Full Time Employee
GA	Department of General Administration
GBOLA	Government Building Owners and Lessors Association
GMA	Growth Management Act
GS	General Services, Iowa State Department of Administrative Services
HECB	Higher Education Coordinating Board
JLARC	Joint Legislative Audit and Review Committee
L&I	Department of Labor and Industries

LEED	Leadership in Energy and Environmental Design
LSMS	Lease and Space Management Services, Iowa State Department of Administrative Services
MACC	Maximum Allowable Construction Cost
OFM	Office of Financial Management
PDA	Preferred Development Area
RCW	Revised Code of Washington
RELPS	Real Estate Leasing and Planning Section, California State Department of General Services
REO	Real Estate Office, University of Washington
RES	Division of Real Estate Services, Washington State Department of General Administration
RFP	Request for Proposal
SFPM	Strategic Facilities Planning and Management System
SHB	State House Bill
TESC	The Evergreen State College
UI	Unemployment Insurance
UW	University of Washington
WCB	Wildlife Conservation Board
WDFW	Department of Fish and Wildlife
WSDOT	Washington State Department of Transportation
WSU	Washington State University
WWU	Western Washington University

ATTACHMENT F:
GA ORGANIZATIONAL CHART

Executive Management



ATTACHMENT G:
GA FACILITIES DIVISION ORGANIZATIONAL CHART

Facilities Division

Facilities Admin

- Patrick Buker, Senior Assistant Director, EMS 1069
  - Kim Buccarelli, Admin Assist 5, 1004
    - Jennifer Cox, Sec Admin, 1127
  - Vacant, Fac Project Anlyst, WMS
  - Craig Donald, Project Director, WMS 0044
    - Grant Hensel, Sec Admin, P212
  - Edanna Ericson, Business Off Mgr, WMS 0717
    - Valerie Gore, Operation Budget, WMS 0135
      - Johnathan Iyall, Mgmt Analyst 2, 1095
      - Jose Reyes, Mgmt Analyst 2, 1029
      - Lillian Springer, Mgmt Analyst 3, 0310
    - Keith William, Accounts, WMS 1372
      - Becci Wuerth, Budget Analyst 2, WMS 1038A
      - Don Haerling, Mgmt Analyst 2, 0931
      - Becky Guyer, Mgmt Analyst 2, 1123
      - Marion Newton, Budget Analyst 3, 1038
  - Tom Evans, Planning & Policy, WMS 1197
    - Nathaniel Jones, Public Facilities, WMS 0630
    - MG Jennings, Historic Facilities, WMS 1130
      - Donovan Gray, Historic Facilities, DAHP
  - Robert Bippert, BGRES/SDAD, WMS 1322
    - Kathleen Hoff, Admin Asst 5, 1086
    - Cathy Moxely, Cstmr Svr Cntr Mgr, WMS 1173
    - Carrie Martin, Property Mgmt Mgr, WMS 1422
    - Pattie Williams, Fac Sprt Sve Mgr, WMS 1224
    - Le Perry, Leasing Mgr, WMS 0053
    - Ted Cohen, Design Mgr, WMS 0146
    - Michael Van Gelder, Facilities Sr Planner, 1133
    - Joan Cullen, ST CTR Mgr, WMS 1320
    - Sandy DeShaw, Vstr/Trs Svr Mgr, WMS 1055
    - LuAnn Taylor, Maint Ops Mgr, WMS 1556
  - John Lynch, EAS/AD, EMS 1068
    - Terri Glave, Admin Asst 5, 1409
    - Carol Maher, Manager, WMS 1562
    - Vacant, Energy Prgrm Mg, WMS 0584
    - Bob MacKenzie, Plant Ops Mgr, WMS 1099
    - Paul Szumlanski, Deputy AD, WMS 1281
    - Bob Bourg, Claims Mgr, WMS 1298
    - Kent Nugen, Deputy AD, WMS 0347
    - Kent Nugen, Deputy AD, WMS 0647
    - Nancy Deakins, Deputy AD, WMS 1575
    - Roland Orr, Manager, WMS 1067

ATTACHMENT H:
GA SPACE REQUEST FORM

DEPARTMENT OF GENERAL ADMINISTRATION
DIVISION OF REAL ESTATE SERVICES

SPACE REQUEST

REQUESTING AGENCY ______________________________

UNIT TO OCCUPY SPACE ____________________________

CITY ____

DATE ____

PLEASE NOTE: In compliance with the certification that funds are available (page 2 of 6), and in the event your agency cancels services provided by the Division of Real Estate Services and the Division has invested significant time on this project; your agency may be charged for the work at the appropriate reimbursable rate.

Space Request No. ___________________________
(From DRES)

STATE OF WASHINGTON

SPACE REQUEST

STATEMENT OF JUSTIFICATION

(ADDED STAFF, PRESENT FACILITIES INADEQUATE, LEASE EXPIRATION, NEW UNIT ACTIVATED, ETC.):

ALTERNATIVES CONSIDERED BEFORE REQUESTING NEW SPACE AND REASONS FOR REJECTION

STATE OF WASHINGTON

SPACE REQUEST

(PLEASE TYPE OR PRINT)

DATE OF REQUEST	DATE OCCUPANCY OR ACTION NEEDED	OFFICE USE ONLY SPACE REQUEST NUMBER

REQUESTING AGENCY	**PERSON TO CONTACT**
AGENCY UNIT TO OCCUPY REQUESTED SPACE	**TELEPHONE NO.**
PRESENT ADDRESS	

I CERTIFY THAT THE REQUESTED SPACE IS NECESSARY AND FUNDS ARE AVAILABLE TO IMPLEMENT THIS REQUEST AND THAT ALL INFORMATION IS ACCURATE.

____

TYPE NAME | TYPE TITLE | AUTHORIZED SIGNATURE (requesting agency) AGENCY HEAD OR DESIGNEE

ACTION REQUESTED

☐ EXTEND LEASE # ________
☐ MODIFY LEASE # ________
☐ RENEW LEASE # ________

☐ LEASE NEW SPACE *
☐ TERMINATE EXISTING LEASE # ________
☐ LEASE OF STATE-OWNED PROPERTY
☐ OTHERS (describe on reverse side)

EXERCISE OPTION FOR:
☐ ADDITIONAL TERM
☐ ADDITIONAL SPACE
☐ PURCHASE

* NEW SPACE INCLUDES ANY SPACE NOT SPECIFICALLY INCLUDED IN A CURRENT LEASE HELD BY THE REQUESTING AGENCY.

FOR

☐ SAME SPACE ☐ DIFFERENT SPACE ☐ADDITIONAL SPACE ☐ OTHER (Describe)

TYPE OF SPACE ☐ OFFICE ☐ LABORATORY ☐ WAREHOUSE ☐ STORAGE ☐ LAND ☐ BOAT MOORAGE
☐ OTHER (Specify)

(COMPLETION OF PAGES 3-6 REQUIRED FOR OFFICE SPACE OR LABORATORIES ONLY)

LOCATION DESIRED: ______________________________ CITY

COUNTY

SPECIAL LOCATION FACTORS: ______________________________

AGENCY OPERATIONS: WILL AGENCY OPERATIONS (1) INCREASE LESSOR'S NORMAL OPERATING COST AND OR (2) EXTEND BEYOND NORMAL BUSINESS HOURS?

☐ YES ☐ NO (Explain) ______________________________

FEATURES DESIRED: (Leased Space Only)

LEASE TERM __________YEARS, STARTING __________, __________AND ENDING __________,
FIRM TERM __________YEARS, CANCELLABLE AFTER __________, __________ON __________DAYS PRIOR NOTICE

☐ OPTION PROVIDING ______________________________
☐ OTHER (Specify) ______________________________

RENT TO INCLUDE:
☐ JANITORIAL SERVICES AND ALL UTILITIES IN STD LEASE FORM EXCEPT
☐ ALL ALTERATIONS NADA TENANT IMPROVEMENTS
☐ __________ PARKING SPACES

PRESENT OCCUPANCY STATUS OF SUBJECT AGENCY UNIT:

UNIT NOW HOUSED: ☐ IN STATE-OWNED BLDG ☐ IN LEASED SPACE ☐ NOT HOUSED
☐ OTHER (Describe)

PRESENT LEASE NO. __________ PRESENT RENTAL AMOUNT $ __________MONTH
EXPIRATION DATE OF PRESENT LEASE __________,
PRESENT LEASE CANCELLABLE AFTER __________, __________, ON __________ DAYS PRIOR NOTICE
PRESENT LEASE OPTIONS PERMIT ☐ EXTENDING TERM TO __________,
☐ ADDING _______ SQ. FT. SPACE AFTER __________, __________ON __________ DAYS NOTICE

FOR OFFICE USE ONLY
SPACE REQUEST NUMBER

SPACE PLANNING DATA SHEET

DATE	

NAME OF REQUESTING AGENCY	CONTACT PERSON	TELEPHONE

OFFICE/WORKSTATION SPACE ALLOCATIONS	NUMBER OF PERSONNEL	

CLASS CODE	CLASSIFICATION TITLE	SPACE CODE	PRESENT	* YEAR	* YEAR	STANDARD NET SQ. FT.	ALLOWABLE NET SQ. FT.
TOTAL AUTHORIZED PERSONNEL					A.		
TOTAL OFFICE WORKSTATION AREA			10% Private Offices/90% Open Space				B.
AVERAGE SQ. FT. PER WORKSTATION			Divide total "B" by total "A" (Standard Allowance is 80-90 sq. ft.)				

* NO. YEARS PROJECTED GROWTH

OFFICE SUPPORT AREAS
Reception / Conference

RECEPTION AREAS/ROOMS	SPACE CODE	ALLOWABLE SQ. FT.	QUANTITY PRESENT	QUANTITY *	SQUARE FEET

USUAL ALLOWANCE IS 3.3 sf X TOTAL 'A' = ____SF TOTAL RECEPTION AREAS

CONFERENCE AREAS/ROOMS	SPACE CODE	ALLOWABLE SQ. FT.	QUANTITY PRESENT	QUANTITY *	SQUARE FEET

USUAL ALLOWANCE IS 8.7 sf X TOTAL "A" = ___ SF TOTAL CONFERENCE AREAS

* 5-Year Projection

OFFICE SUPPORT AREAS
Equipment and Furnishings

OFFICE SUPPORT EQUIPMENT/AREAS	EQUIPMENT CODE	ALLOWABLE SQ. FT.	QUANTITY PRESENT	QUANTITY *	SQUARE FEET
USUAL ALLOWANCE IS 36.7 sf X TOTAL "A" = _____	TOTAL OFFICE SUPPORT EQUIPMENT/AREAS				
USUAL ALLOWANCE IS 48.7 sf X TOTAL "A" = _____	TOTAL ALL OFFICE SUPPORT AREAS (Add Reception/Conference/Equipment Totals)				

* 5-Year Projection

NOTE: Attach additional sheets, if needed.

SPECIAL AREAS/ROOMS

SPECIAL AREAS/ROOMS (i.e., Labs, Classrooms, Etc.) Provide description and justification for each.	SIZE WIDTH X DEPTH	QUANTITY	SQUARE FEET

SPECIAL REQUIREMENTS:

☐ EXTRA STRENGTH FLOORS

☐ SECURITY SYSTEM

☐ OTHER

A. TOTAL SPECIAL AREAS/ROOMS	
B. TOTAL ALL OFFICE SUPPORT AREAS (page 5)	
C. TOTAL OFFICE/WORKSTATION AREA (page 3, total 'B')	
D. TOTAL WORK SPACE AREA (Add Lines A & B & C)	
E. TOTAL INTERNAL CIRCULATION (Add 25% of Line D)	
F. ASSIGNABLE SPACE REQUIED (Add Lines D & E)	
G. NON-ASSIGNABLE COMMON AREAS (20% of Line F)	
H. TOTAL GROSS/RENTABLE AREA (Add Lines F & G)	

TOTAL ASSIGNABLE SQ. FT. PER PERSON: Divide Line F by Total 'A' from page 3
(Standard Allowance is 156-209 sq. ft.)

MISCELLANEOUS REQUIREMENTS:

PARKING SPACES STATE CARS
OTHER
TOTAL

OTHER ______________________________

INSTRUCTIONS FOR COMPLETING GENA-1253
SPACE REQUEST

INSTRUCTIONS FOR PAGE 1 OF 6

Statement of Justification: The requesting agency must justify why it is necessary for the state to secure additional leased space. The justification may include additional agency programs, growth or other factors causing the increase in leased space for the requesting agency. The information provided in this space will determine if the request is processed or returned for further justification.

Alternatives Considered Before Requesting New Space and Reasons for Rejection: The requesting agency must explain how this request compares to utilizing already existing state-owned or leased space. In addition, this request should be discussed in comparison to know future needs and why consolidation or collocation should not be considered and how this request relates to space requests already pending in the Department of General Administration.

INSTRUCTIONS FOR PAGE 2 OF 6

Date of Request: Date Space Request Form was sent to the Division of Real Estate Services Group from the client agency.

Date Occupancy or Action Needed: Required date for occupancy of space acquired by client agency.

Requesting Agency: The client agency that is making the request.

Person to Contact: **The client agency's single point of contact.**

Agency Unit to Occupy Requested Space: **The specific unit, bureau, division, office or agency that will occupy the space requested and for whom the space will be designed.**

Telephone Number: The phone number of the client agency's single point of contact.

Present Address: Present address of the unit, bureau, division, office or agency that is requesting the space.

Financial Certification Statement: Agency head or designee must certify that the agency has sufficient funds to implement the request before the Department of General Administration processes any requests.

Action Requested: Client agency requests a specific action to extend current lease, to modify current lease, to renew current lease, to lease new space, to terminate existing lease, to lease state-owned property; to exercise land options, such as requesting additional term of land option; to request additional acres; to purchase land for lease development; and other. In the "FOR" block check the type of space needed for the action requested.

Type of Space: Specify type of space requested. Note that completion of pages 3 through 6 are required for office space and laboratories only.

Location Desired: Do not specify a facility or piece of property. This will be accomplished through the Division of Real Estate Services Group's real estate process. Instead, indicate a desired city, county, or location within a jurisdiction, i.e. east Seattle, a particular area defined by street boundaries, special location factors such as access to public transportation, proximity to a county court house, etc.

Agency Operations: Will operations require more than normal building operating costs; does the agency work beyond normal operating hours 8:00 AM to 5:00 PM? This information is needed for building owners.

Features Desired: Indicate length of lease term (1 year, 2 years, 5 years), staring date, ending date, firm term of lease or include a cancellation clause. Indicate any options and what they should provide. Indicate other lease provisions you require. Tell us if the rent should include janitorial services and all utilities in the standard lease and indicate exceptions. Indicate if the rent should include alterations and tenant improvements. How many parking spaces are needed?

Present Occupancy Status of Subject Agency Unit: Indicate the present occupancy status of your agency's unit now and the specific location and the status terms and options of the present lease at that location.

INSTRUCTIONS FOR PAGE 3 OF 6

Date: Date form completed.

Name of Requesting Agency: Self-explanatory.

Contact Person: Person who completed square footage analysis.

Office/Workstation Allocation: Complete a space analysis of all personnel, by department of Personnel classification codes and position titles, that are to occupy the new space. Include any vacant positions you reasonable expect to fill. For projected growth include only positions expected to be authorized and filled by end of that fiscal year. Do not include positions not physically located within your agency space. Do include field or seasonal positions requiring a dedicated or shared workstation. Enter the space code and square footage allocation for each position from the "Standard Office/Workstation allocations", State of Washington Space Standards Manual. For classifications where a space code has not yet been identified, complete an "Individual Workstation Survey" (GENA-1254).

Number of Personnel: Enter number of personnel in each category. In the columns marked "* ____" show projected staff for 2 to 5 years. Total the 5-year projection column to show the number of staff to be housed in the facility, which may be for a 5-year lease or longer if for a lease development project. Design and construction time should be considered in larger lease development projects, which take 2 years. Staff projections for those projects would normally by 7 years (2 years construction + 5 years occupancy). Multiply the "Personnel Projection" and the "Standard Square Feet Allowed" columns to arrive at the allowable square feet by position. Total the column in Category B and post to line C, page 6.

Attach a current organization chart for the personnel planned to occupy this facility; identify as attachment "I." Complete an adjacency criteria form (attachment "II") for each section to be included in this space request.

Average Square Feet Per Workstation: Divide the "Total Workstation Area" sum 'B' by the "Total Authorized Personnel" sum 'A'.

INSTRUCTIONS FOR PAGE 4 OF 6

Office Support Areas: Complete a space analysis of office support areas required by the agency using the five-year growth projection. Refer to the "Area Standards" from the "Space Standards Manual" to select the space codes and square footage allocation for each area identified.

Reception Areas/Rooms: Select the size of reception area required from the "Area Standards", based on the seating accommodations required on a daily basis in a typical situation. Do not select a requirement based on a "worst case" scenario. Total the square feet required or reception areas. The usual allowance for reception requirements is 3.3 square feet multiplied by the number of authorized personnel. The total square feet of reception space requested should not exceed this sum unless adequate justification for additional space is provided.

Conference Areas/Rooms: Select the appropriate size and number of conference rooms from the "Area stands", again figuring the capacity of each area on average size meetings held on a regular basis. Total the square feet required for conference areas/rooms. The usual allowance for conference requirements is 8.7 square feet multiplied by the number of authorized personnel. The total square feet of conference space requested should not exceed this sum unless adequate justification for additional space is provided.

INSTRUCTIONS FOR PAGE 5 OF 6

Office Support Equipment/Areas: Identify all office support areas required by the occupying agency. Include storage and supply areas, reproduction areas, file areas, and equipment not located in individual workstations. Indicate any common area workstations in this section which are not assigned to specific personnel. Refer tot he "Area Standards" for equipment/areas. The usual allowance for common equipment/areas is 36.7 square feet multiplied by the number of authorized personnel. The total square feet of space requested should not exceed this sum unless adequate justification is provided.

Total All Office Support Areas: Total the square feet requested for reception, conference (from page 4) and office support equipment/areas (page 5) and post to line B, page 6. The usual allowance for office support areas is 48.7 square feet multiplied by the number of authorized personnel. The total space requested should not exceed this sum unless adequate justification is provided.

INSTRUCTIONS FOR PAGE 6 OF 6

Special Area/Room Requirements: Identify all special areas required by occupying agency. Include laboratories, classrooms, maintenance shops or any other special space that requires either enclosure by full height walls or special treatment within the general office environment. Indicate the size and special requirements necessary for each identified space (i.e. fireproofing, climate control, lockable security, exhaust/venting, heavy floor loading, special HVAC, etc.). provide justification for each special area. Total the square feet for special areas on line A.

Total Space Requirement:

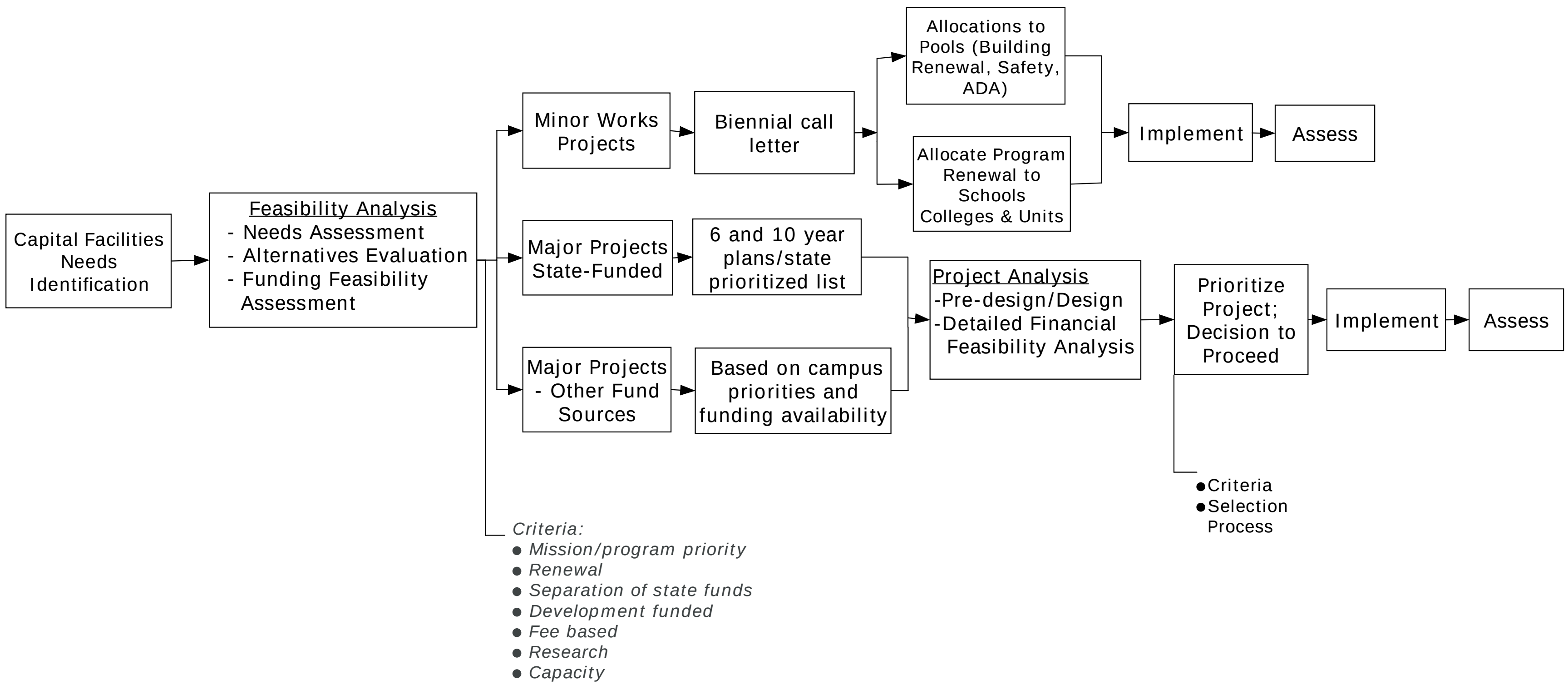
A. Total Special Areas/Rooms
B. Total All Office Support Areas (from page 5)
C. Total Workstation Area (from page 3, total "B")
D. Total Work Space Area (Add Lines A & B & C)
E. Total Internal Circulation (Add 25% of Line D)
F. Assignable Space Required (Add Lines D & E)
G. Non-Assignable Areas (Add 20% OF Line F)
H. Total Gross/Rentable Area (Add Lines F & G)

Total Assignable Square Feet Per Person: Divide the "Assignable Space Required" Line F by "Total Authorized Personnel" sum "A" from page 3.

Miscellaneous Requirements: Indicate number of parking stalls required. Advise us of any other requirements needing to be addressed.

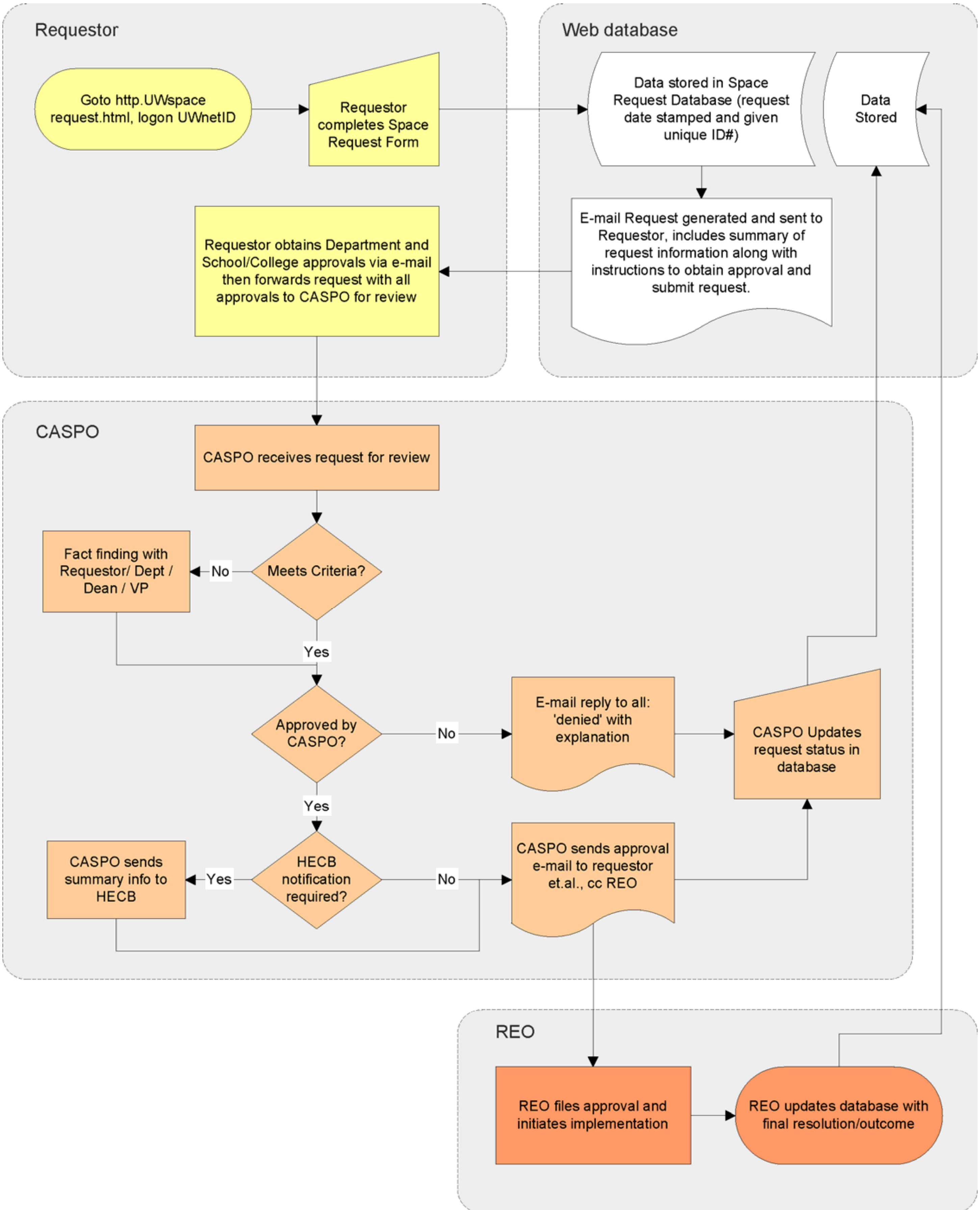
ATTACHMENT I:
UNIVERSITY OF WASHINGTON PROCESS CHARTS, SPACE REQUEST, AND HECB APPROVAL FORM

University of Washington Capital Budget Process



UW Leased Space Web-Mail Request and Approval Process

9/10/03



UNIVERSITY OF WASHINGTON

REQUEST FOR ALLOCATION OF SPACE

CAPITAL AND SPACE PLANNING OFFICE

Request # (Number to be assigned by CASPO)	
Date received by CASPO	
Date approved by CASPO	

☐ New Leased Space ☐ On-Campus space

Date of Request

Please complete this form as fully as possible to facilitate the timely review and implementation of your request.

CONTACT INFORMATION

Name of program, research or unit needing space		
Department	School/College	
Requester or Principal Investigator		
Request Contact Person	Title	Email Address
Address	Campus Box No.	Phone

SPACE INFORMATION

Number of occupants	Square feet requested	☐ ASF ☐ RSF	Please provide Assignable Square Feet (ASF) for on-campus space, or Rentable Square Feet (RSF) when requesting leased space. For a description of these terms and help in estimating your space needs, please refer to: http://www.washington.edu/admin/reo/departments/

Primary type of space

☐ Office ☐ Lab ☐ Clinic ☐ Classroom ☐ Residence ☐ Storage ☐ Other (specify) ______

Describe the space being requested (include number, type and size of rooms, configuration, and any special requirements).

Reason for space

☐ New program/research ☐ Expansion of existing ☐ Relocation of existing

Desired occupancy date (mm/dd/yyyy)

Desired term of lease/occupancy (months or years)

Desired location or address (if known)

This space will be used for *(Check all that apply)*

☐ Research related activity

☐ Medical or dental clinic or other health care related uses (including hospital or clinic support functions)

☐ Animal treatment, care or housing

Testing, analysis, research or instruction that involves the use of *(Check all that apply)*

☐ Chemicals, biological agents, recombinant DNA, x-ray, or non-ionizing radiation or lasers, pressure vessels, unusual electrical, or other health hazards

☐ Volatile radioactive materials, radioactive gasses or select agents requiring specific security standards

This space will *(Check all that apply)*

☐ Require fume hoods, biological safety cabinets or similar equipment designed to control contaminants

☐ Include an industrial shop, paint spray booth or other equipment containing refrigerants

☐ Produce or store hazardous waste or materials

Additional notes, special program needs or conditions

UNIVERSITY OF WASHINGTON CAPITAL AND SPACE PLANNING OFFICE
BOX 351263, Seattle, Washington 98195-1263

Proceed to page 2

FUNDING INFORMATION

All costs associated with this space including rent, operating expenses, tenant improvements, furniture, telecommunications and move costs are the responsibility of the occupying program, unit, department or school/college unless arrangements are made with CASPO for use of central funds. Please refer to the UW Real Estate Office web page for assistance in estimating costs associated with leased space: http://www.washington.edu/admin/reo/departments/

Fund source(s) or funding agency:

Budget Name	Budget Number(s)	Share of cost(%)	Grant or contract expiration date (mm/dd/yyyy)	Is grant subject to Off-Campus Recovery Rate?
1.				☐ Yes ☐ No
2.				☐ Yes ☐ No
3.				☐ Yes ☐ No
4.				☐ Yes ☐ No
5.				☐ Yes ☐ No
6.				☐ Yes ☐ No
7.				☐ Yes ☐ No
8.				☐ Yes ☐ No

APPROVAL INFORMATION

REQUESTOR Unit Head/Principal Investigator	PRINT NAME ______________________ Signature ______________________ Date __________
DEPARTMENT Department Chair or Director	PRINT NAME ______________________ Signature ______________________ Date __________
SCHOOL OR COLLEGE Dean/VP (or authorized designee)	PRINT NAME ______________________ Signature ______________________ Date __________

Comments or Conditions of Approval

Questions? **For assistance in using this form, and for more information on the space request process, please refer to the information on page 3, or contact the Capital and Space Planning Office. Call 206-616-7442, or email spacereq@u.washington.edu**

Return this completed form to: **Capital and Space Planning Office, Box 351263**

RESET FORM

INFORMATION ON THE SPACE REQUEST PROCESS

UNIVERSITY OF WASHINGTON
CAPITAL AND SPACE PLANNING OFFICE

Requester:

The requester submits a completed Request for Allocation of Space form to the Capital and Space Planning Office, Box 351263, Seattle, Washington 98195-1263. This form may be obtained from the CASPO website at:

http://www.washington.edu/admin/pb/caspo/office/space-request-form.pdf

Adobe Reader is required to open this file. You may either print the form to enter the information by hand, or complete the form on-screen. Adobe Acrobat software is required to save the completed form.

Please complete the form as fully as possible to facilitate the timely review and implementation of your request. It is the requester's responsibility to obtain the appropriate Department and School or College approvals before sending the completed request form to CASPO. The completed form may be routed and approved via email and forwarded to CASPO at spacereq@u.washington.edu

CASPO:

The Capital and space Planning Office (CASPO) assists the Provost in space allocation, planning and budgeting, which includes the responsibility to review and evaluate requests for leased space based on University procedures and guidelines. The director or staff may contact you for more information in response to your request. After this review is completed you will receive a letter or email informing you of the decision regarding your request for space.

Due to the very limited availability of on-campus space, such requests may take a considerable amount of time to resolve (to the extent they can be met at all). Approval for allocation of on-campus space will usually come in the form of a Space Assignment Letter issued by the Provost.

Requests for leased space are generally approved by CASPO as long as they have been approved by the appropriate Chair/Director (Department) and the Dean/VP (School/College), and a viable fund source for lease payments has been provided. Approval to lease space will be sent to the Dean/VP and the requester along with notification to the Real Estate Office so they may proceed on your behalf to seek and secure suitable space.

Requests to acquire large amounts of space off-campus for instructional use may require further review by the Washington State Higher Education Coordinating Board (HECB). If such review is required, CASPO will submit to them the necessary information. Generally, leases for non-instructional purposes, research, and health services related functions do not require HECB review.

REO:

After a request for leased space is approved by CASPO, the Real Estate Office (REO) will contact you with information on the leasing process, and will assist you in locating appropriate facilities to suit your needs and budget.

The Real Estate Office negotiates and reviews all leases. Please do not initiate contact with brokers and/or landlords without their assistance. REO will provide a draft copy of the lease for your comment and approval of the business terms. Lease forms must be approved by the Office of the Attorney General and executed by the Director of Real Estate on behalf of the University of Washington Board of Regents.

The Real Estate Office will pay rent to the landlord and recharge the budget number(s) indicated on the space request form, or other budget(s) as directed by the party responsible for funding.

If your request involves the use or storage of certain chemicals, agents, materials or equipment, the department of Environmental Health and Safety (EH&S) will be involved in the review of the proposed location. EH&S will provide guidelines to ensure the health and safety of UW employees working in the space.

Questions? **Call the Capital and Space Planning Office (CASPO) at 206-616-7442, or send email to: spacereq@u.washington.edu**

FORM 8

ACQUISITION OF OFF-CAMPUS PROPERTY
Part I

To be submitted by a public four-year institution or the State Board for Community and Technical Colleges prior to acquiring by lease, purchase, or gift a major off-campus facility. Please complete Parts I and II. If the acquisition is not a major off-campus facility but will be used for a new program or Notification of intent to extend an existing program to a new site, please complete Part I only.

ACQUISITION OF OFF-CAMPUS PROPERTY – Part I			
Site Description (name)			
Size:			
Facilities (square feet)			
Property (acres)			
Age of Facilities:			
Exact Address:			
How the facility/property is to be acquired (circle):	**Lease**	**Purchase**	**Gift**
Lease:			
Lease Term			
Annual Lease Cost			
Acquisition Cost:			
Land			
Facility			
Personal Property/Other			
Total Cost			
Funding Source(s) and Amounts:			
Source A (specify)		$	
Source B (specify)		$	
Source C (specify)		$	

HECB
P.O. Box 43430
Olympia, WA 98504-3430
www.hecb.wa.gov/autheval

FORM 8

ACQUISITION OF OFF-CAMPUS PROPERTY
Part II

ACQUISITION OF OFF-CAMPUS PROPERTY – Part II
Intended use of property or facility:
A statement of need and/or demand for the new or expanded programs to be housed in the facility:
A statement of how the acquisition is consistent with the institution's strategic plan:
A statement as to how the acquisition is consistent with the institution's role and mission:
A statement as to how the activity to be housed or located at the site will not unnecessarily duplicate services being provided by other public, private, or non-profit organizations:
A statement as to how the activity and/or its intended benefits cannot be accommodated or accomplished within the current campus boundaries:
A statement as to how the nature of the facility being acquired is commensurate with the activity to be housed:

____
Signature

____
Date

HECB
P.O. Box 43430
Olympia, WA 98504-3430
www.hecb.wa.gov/autheval