



# Strategic Facilities Governance Team Update

Audit and Finance Committee

September 22, 2021



# Agenda

## Guiding Principles

## Updates

- Completed Developer Assisted Facilities
- Strategic Administrative Office Investment Overview

## Teleworking and Impact of COVID-19

## Upcoming Facility Projects

- Austin Energy Service Center
- One Texas Center
- Austin Police Headquarters
- City of Austin Service Centers
- Prospective Order

# Guiding Principles

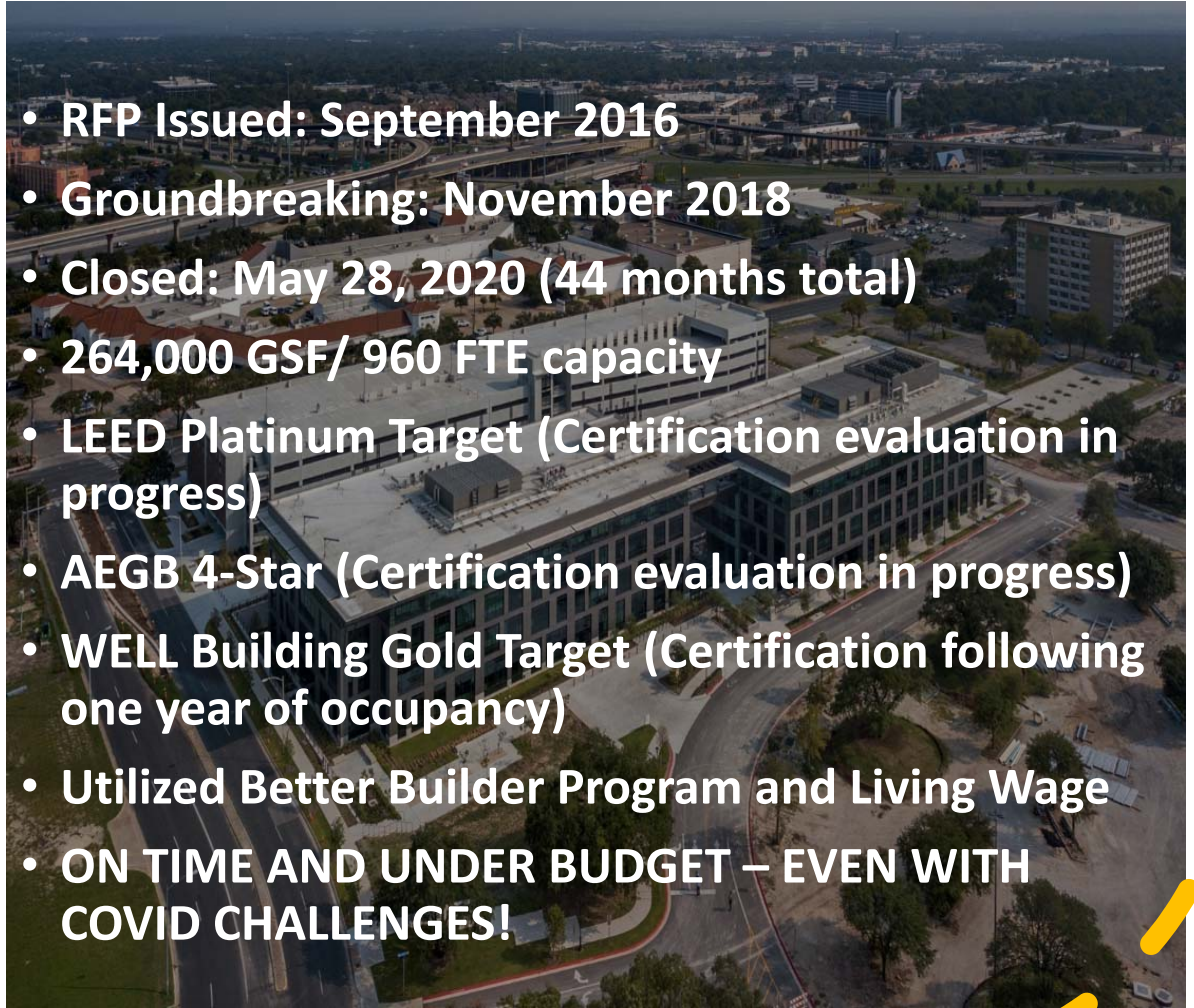
# Strategic Administrative Office Investment Guiding Principles

- i. Improve work environments for City employees and enhance productivity and efficiency in workflow for individuals and departments;
- ii. Decrease overall occupancy costs and exercise improved stewardship of taxpayer dollars;
- iii. Improve the public facing experience in City facilities and advance customer service;
- iv. Improve City facilities and amenities to attract and retain talent throughout the City's workforce; and
- v. Plan for flexible and resilient facilities to accommodate current and future changes to our environment and the City's needs.

# Completed Developer Assisted Facilities

# Permitting and Development Center

- **RFP Issued: September 2016**
- **Groundbreaking: November 2018**
- **Closed: May 28, 2020 (44 months total)**
- **264,000 GSF/ 960 FTE capacity**
- **LEED Platinum Target (Certification evaluation in progress)**
- **AEGB 4-Star (Certification evaluation in progress)**
- **WELL Building Gold Target (Certification following one year of occupancy)**
- **Utilized Better Builder Program and Living Wage**
- **ON TIME AND UNDER BUDGET – EVEN WITH COVID CHALLENGES!**



# Austin Energy HQ

- RFP Issued: November 2017
- Groundbreaking: August 2019
- Closed: April 8, 2021 (41 months total)
- 275,000 GSF/ 1,200 FTE capacity
- LEED Platinum Target (Certification evaluation in progress)
- AEGB 5-Star Target (Certification evaluation in progress)
- Well Building Gold Target (Certification following one year of occupancy)
- Utilized Better Builder Program, Apprenticeship Program and Austin Prevailing/Living Wage Program
- ON TIME AND UNDER BUDGET – EVEN WITH COVID CHALLENGES!



# Strategic Administrative Office Investment Overview



# Strategic Administrative Office Investment Overview

Phase I (2011-2012)		Phase II (2013-2019)		Phase III (2020-2026)	
✓	Created Strategic Facilities Governance Team (SFGT)	✓	Implement Facility Governance Strategy	✓	Implement Occupancy Plan
✓	Develop Facilities Roadmap	✓	Develop Comprehensive Space Standards	✓	Assess Key City Owned Assets (RLC & OTC)
✓	Research National Best Practices for Facilities	✓	Create/Test/Implement P3 Model (PDC & AEHQ)	✓	Perform City-Wide Census
		✓	Align Leases w/SFGT Long-Term Space Strategy	✓	Develop Administrative Facility Performance Specs
		✓	Engage Real Estate Advisory Expertise	✓	Perform Telework Survey
		✓	Develop Occupancy Plan	✓	Improved Real Estate Processes: New SharePoint Site & Defined Roles and Responsibilities.
		✓	Develop Integrated Asset Management Process	IP	<b>Forecast Expenditures over Asset Lifecycle</b>
				IP	<b>Perform Market Assessment for Ground Lease of select City assets</b>
				IP	<b>Complete Transition from Lease to Own Portfolio</b>

# Strategic Administrative Office Investment Overview – *WHY NOW?*

- Approx. 759,000 SF of lease space expiring in the next 5 years
- Approx. 335,000 SF of owned spaces recommended to be repurposed
- Equates to approx. 4,500 FTEs that will be displaced IF historical growth rate holds
- Increases to 5,000 FTEs with a modest growth projection increase from 2.56% to 4%

# Strategic Administrative Office Investment Overview – WHY NOW?

10-Year Space Forecast			
	Current Space Use	2.56% Growth	4% Growth
	Based on current space use (371 SF/FTE)	Assumes transition into efficient new facilities (246 SF/FTE)	
# of FTEs	3,500	4,500	5,000
Base Space Requirement (SF)	1,300,000	1,100,000	1,230,000
Space Requirement w/ 25% Telework*	N/A	970,000	1,065,000
*Excludes largest telework outliers (APD & CTM)			

# Lease v. Own – Why stay the course?

- Leases cost the City approximately \$23 million/yr.
- Lease vs. Owned
  - 2x the cost to house FTEs in leased space v. owned
  - Utilization of leased space is less efficient than for owned space
- Validated the significant long-term savings of owning vs lease

## Forecast of Own vs. Lease (30-Year)

300,000 SF Administrative Office Build-to-Suit: Class A Suburban\*

	Cost to Own: 30-year hold	Cost to Lease: 30-year term
FTEs	1,220	1,220
30-year average annual occupancy cost/FTE	\$10,196	\$19,247
Total	\$373,027,805	\$704,163,285
NPV	\$216,539,197	\$380,394,041

# Strategic Administrative Office Investment Overview – WHY NOW?

*Transition out of Leased space into additional 1.2 million sq ft of owned space by 2026:*



# Teleworking and the Impact of COVID-19

# Telework Survey Results

- 46 Department Heads responded
- Key Takeaways
  - Teleworking has been generally successful – 76%
  - Productivity has improved or remained the same – 91%
  - Amenable to hot desks/hoteling – 71%
  - Telework schedules for individual employees determined by Dept. Heads – 65%
  - Post pandemic, # of days employees in the office: 2-3 days/week – 43%
  - Post pandemic, # of days employees telework : 2-3 days/week – 67%
- ***Important Note: Employees were not surveyed; In published private sector studies, answers vary between leadership and employees***

# Impacts of COVID-19

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## TELEWORK TAKEAWAYS

- Office is not going away as part of a hybrid approach with teleworking
- 20-30% FTEs telework on rotating basis
- More collaborative office environments
- Emphasis on worker health and safety
- Emphasis on resilient and flexible office buildings
- Offices are a critical tool in tight talent market, creating competitive advantage

## CENTRALIZED TELEWORK POLICY

- Control at departmental level with guardrails from City leadership (static v. hot desks)
- Facility planning
- Flexibility for changes in departmental leadership



# What Are Others Doing?



**Google** changed plans to from reopening in October 2021 to January 2022. Still 20% of workforce to remain remote

52% **Fortune 500** companies plan to bring employees back in 2021

58% of **Fortune 500** executives anticipate reduced office space from pre-COVID levels by 10%

**New York City** required all staff to return to work on 13 Sept 2021

**IBM** return to work began Sep 2021, expects over 80% of employees will have flexible schedules

**Microsoft** 73% of the workforce wants to continue to work remotely

# Upcoming Facility Projects

# Austin Energy Service Center

## RFP Requirements

- 130,000 SF Warehouse + 20,000 SF Expansion Option
- 15,000 SF Office + 15,000 SF Expansion Option
- 185,000 SF Laydown Yard

## Consolidation of 3 Existing AE Facilities

## Council Approved Exclusive Negotiations (ENA)

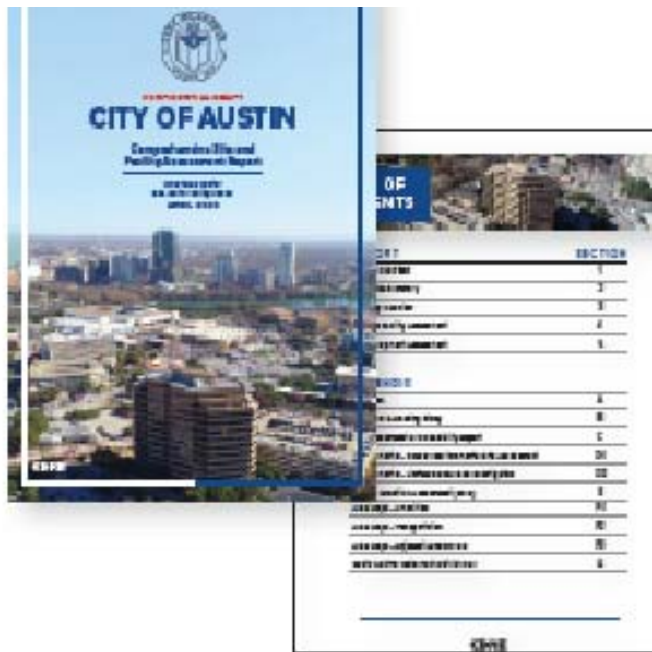
- Tech 3443 – 3443 Ed Bluestein Blvd
- June 10, 2021
- ENA to be signed week of September 20, 2021

## Council Request to Negotiate and Execute

- Anticipated for November 2021

## Projected project completion/Purchase Q4 2022

# Comprehensive Assessment – One Texas Center



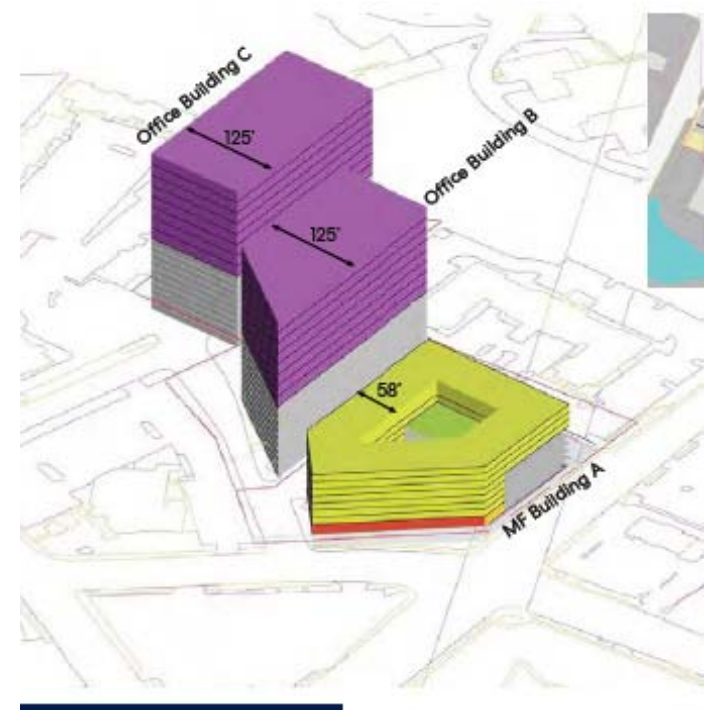
**OTC: Comprehensive Site & Facility Assessment  
April 2020**

- Reviewed 13 repositioning scenarios
- Engaged local civil and architecture specialists
- Determined better investment to redevelop rather than renovate

# Recommendations – One Texas Center

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- Central administrative facility – consistent with department head feedback
- Proximity to City Hall is imperative
- Continued investment in existing facility would provide diminishing returns – 10-year functional extension
- ↑ capacity from 900 FTEs to 2,000 FTEs
- Catalyst for South Central Waterfront District
- On transit lines (existing and proposed)
- No new land acquisition in white hot market



# Austin Police Headquarters

- Austin Police Department HQ is functionally obsolete
- Mayor/Council direction to review APD relocation 2020
- Rutherford Lane Campus (RLC) potential for new public safety facility
- Preliminary RLC study completed 2020
  - 44% increase in capacity with renovation
    - Current → 779 FTEs / Renovated → 1,123 FTE
    - APD 10-year FTE count (non-patrol) = 1,160 FTEs
  - Additional study required using lens of APD
    - Review necessary extent of renovation, potential modifications, new development
    - Programming – APD & possibly other public safety (AFD, EMS, OMD)
    - Additional parking
    - Onsite fleet operation
    - Training

# City of Austin Service Center/Warehouse(s)

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**Time to pay attention to our front line, essential workers and improve working conditions**

City goal to improve equity across the entire workforce

Increasingly competitive labor market for skilled workers



## **Assess needs**

Rightsizing

Logistic location(s)

Review existing facilities

Identify co-location opportunities



## **Departments**

Austin Code

Austin Fire

Austin Resource Recovery

Austin Transportation

Austin/Travis County EMS

Building Services

Fleet Mobility Services

Parks and Recreation

Public Works

Watershed Protection

# Prospective Order

1. AE Warehouse/Service Center (underway)
2. Johnny Morris Warehouse & Service Center (ARR & Fleet)
3. One Texas Center
4. Rutherford Lane Center (APD)
5. New Service Center (multiple departments)



QUESTIONS?