



RICK SCOTT
Governor

DEPARTMENT OF MANAGEMENT
SERVICES

JOHN P. MILES
Secretary

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September 30, 2011

The Honorable Denise Grimsley
Chair, Joint Legislative Budget Commission
402 South Monroe Street
Tallahassee, Florida 32399-1300

The Honorable JD Alexander
Vice Chair, Joint Legislative Budget Commission
404 South Monroe Street
Tallahassee, FL 32399-1100

RE: Chapter 2011-47, Laws of Florida (SB 2002)

Dear Representative Grimsley and Senator Alexander:

The enclosed report and analysis is submitted in accordance with Section 76 of Chapter 2011-47, Laws of Florida. Vertical Integration, a state-contracted tenant broker, was retained to renegotiate applicable leases over 150,000 square feet and aid in the preparation of this report.

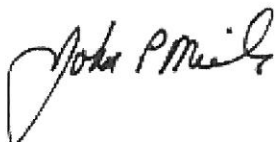
The report identifies six leases over 150,000 square feet statewide, five in Leon County and one in Orlando. Four of the leases in Leon County are those which are referred to as Master Leases and with multiple agency occupancy in office buildings. The other Leon County lease houses the Florida Lottery. The Lottery staff has taken the opportunity, using existing lease tenant improvement funds, to renovate vacant space to make room for the Office of Early Learning. They have plans to consolidate other space later in the year to house the Power Ball program which will provide a greater use of existing leased space. These efforts by the Lottery will increase density within the existing lease. The Orlando lease is State Emergency Operations warehouse space in Orlando. This organization was already in negotiations with its landlord and, based on the existing use of the space, the Department of management Services does not recommend any further action.

This report provides options in the form of scenarios to more efficiently use state space, identifies potential projected savings for each scenario, describes the uncertainties of

implementation costs, and provides the results of the tenant broker's negotiation with each agency. Given the significant challenges and risks associated with each scenario, it is important that the department conduct appropriate due diligence before any decisions are made regarding the master leases.

Also enclosed is a departmental legal memorandum that provides information regarding lease compliance with current state law or the state constitution. Any effort to modify problematic lease terms into language consistent with current Florida law should result from a renegotiation or amendment of these terms. Historically, efforts to amend and/or renegotiate terms have been frustrated by landlord financial covenant restrictions, as well as the varying interests among the different tenant agencies.

Sincerely,

A handwritten signature in black ink, appearing to read "John P. Miles". The signature is fluid and cursive, with a large initial "J" and "M".

John P. Miles
Secretary

Attachments

Cc: Jerry McDaniel – OPB
Laurie Grasel - OPB



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IDENTIFICATION OF LEASES > 150,000 SQ. FT. IN CONFLICT WITH STATE LAW

DATE: September 30, 2011

SUBJECT: Identification of Leases > 150,000 Sq. Ft. in conflict with state law

Issue. On or before September 30, 2011, in accordance with Section 76 of Senate Bill 2002, the Department of Management Services shall identify any leases over 150,000 square feet that do not comply with current state law or the current state constitution. There are six leases identified which exceed 150,000 square feet. These are the Florida Lottery Building, the Division of Emergency Management Warehouse, and the four so called "Master Leases." The "Master Leases" were executed in late 2004 and early 2005, and are for an initial 15 year term, generally with multiple state agency tenants.

The lease for the Division of Emergency Management is not included in this analysis as this lease complies with current state law. Additionally, this lease is for warehouse space, not office space.

The Florida Lottery Building lease is for both office and warehouse space. The Florida Lottery has an independent grant of authority under §24.105(13), Florida Statutes, providing them "the authority to perform any of the functions of the Department of Management Services under chapter 255." The Florida Lottery has advised they are working independently with Cushman and Wakefield to more efficiently utilize their office/warehouse space. In accordance with the position of the Florida Lottery, any potential issue with compliance to state law within the Florida Lottery lease would be subject to their independent authority granted under §24.105(13).

This memorandum will therefore examine each of the four Master Leases: (i) Fort Knox, (ii) Koger, (iii) Northwood, and (iv) Winewood. Specifically there are two distinct clauses now required in all leases in excess of one year.

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Factual Analysis. Compliance with this legislation focuses upon two required lease clauses. One is under § 255.249(4)(e)(2), Florida Statutes, and the second is required language under § 255.2502, Florida Statutes.

§ 255.249(4) Florida Statutes, contains the following language:

- e)1. *Acceptable terms and conditions for inclusion in lease agreements.*
2. *Such terms and conditions shall include, at a minimum, the following clauses, which may not be amended, supplemented, or waived:*
 - a. *As provided in s. 255.2502, “The State of Florida’s performance and obligation to pay under this contract is contingent upon an annual appropriation by the Legislature.”*
 - b. *“The Lessee shall have the right to terminate, without penalty, this lease in the event a State-owned building becomes available to the Lessee for occupancy upon giving 6 months’ advance written notice to the Lessor by Certified Mail, Return Receipt Requested.”*

Before the passage of § 19, ch. 2006-26, the right to terminate with 6 months’ notice was only present in the Standard Lease Form developed by the Department of Management Services. Accordingly, the right to terminate was deleted by the operation of Rule 60H-1.007 in each of the four Master Leases:

60H-1.007 Right –to-Terminate Clause Required. *The Standard Lease Agreement’s right-to-terminate clause, allowing the agency to terminate the lease with notice if public space becomes available, shall be a part of any lease for a term exceeding one year and may not be omitted from an agency’s lease, except upon written approval of the Division Director.*

In each of the four Master Leases: (i) Fort Knox, (ii) Koger, (iii) Northwood, and (iv) Winewood, this standard clause was deleted with written approval of the Division Director¹. Therefore, although inconsistent with current law, at the time of lease execution, this legal process was followed. The right-to-terminate clause was legally eliminated in all four Master Leases.

When analyzing the required language under § 255.2502, Florida Statutes, one finds this present in each of the four Master Leases. The “Non-Appropriation Clause” is required both as subsection 2(a) in § 255.249(4)(e)(2), and also by a statute in effect well before the signing of the Master Leases:

§255.2502, Florida Statutes has contained the following language since 1988:

¹ In the Northwood lease, the right to terminate clause only applies to 50,780 square feet occupied by Department of Education, and up to 20,000 square feet occupied by Department of Revenue.

255.2502 Contracts which require annual appropriation; contingency statement.—No executive branch department or agency, public officer or employee shall enter into any contract on behalf of the state, which contract binds the state or its executive agencies to the lease, rental, lease-purchase, purchase, or sale-leaseback of office space, real property or improvements to real property for a period in excess of 1 fiscal year, including any and all renewal periods and including all leases which constitute a series of leases unless the following statement is included in the contract: “The State of Florida’s performance and obligation to pay under this contract is contingent upon an annual appropriation by the Legislature.” The foregoing statement shall not be amended, supplemented, or waived, and shall be printed in type at least as large as any other type appearing on the contract. Any contract in violation of this section shall be null and void.

History.—§ 10, ch. 88-409.

Each one of the Master Leases contains the language quoted as required under § 255.2502, Florida Statutes. One of the leases, Koger, also contains an “added” provision.

(i) Fort Knox: Term: 2/24/2005-2/29/2020
Sq. Ft. 239,164

The language required by under § 255.2502, Florida Statutes is present within Section XVIII.

(ii) Northwood: Term: 11/12/2004 – 10/31/2019
Sq. Ft. 340,424

The language required by under § 255.2502, Florida Statutes is present within Section XVIII.

(iii) Winewood: Term: 1/1/2005 – 12/31/2019
Sq. Ft. 330,990

The language required by under § 255.2502, Florida Statutes is present within Section XVIII.

(iv) Koger: Term: 11/1/2004 – 10/31/2019
Sq. Ft. 580,649

The language required by under § 255.2502, Florida Statutes is present within Section XVIII. However, Addendum A to the Koger lease also contains a clause entitled "Availability of Funds." This reads as follows:

XVIII. AVAILABILITY OF FUNDS. The following is added to Article XVIII: "In the event an annual appropriation is not made by the Legislature as contemplated in the first sentence of this Article, Lessee, on 30 days' written notice to Lessor, may defer payment of rent on such portion of the premises as to which an annual appropriation is not made by the Legislature (the "Defunded Space"). All rent so deferred and not paid currently (the "Deferred Rent") shall accrue and bear interest at the Prime Rate from time to time plus 400 basis points. "**Prime Rate**" shall mean the rate (or the average of rates, if more than one rate appears) inserted in the blank of the "Money Rate" Section of the Wall Street Journal (Eastern Edition) in the Section reading "Prime Rate ____%." The Deferred Rent shall be repaid by automatically extending the term of this lease, as to the Defunded Space only, by the length of time that Lessee deferred rent on the Defunded Space (the "Extended Term"). The rent payable during the Extended Term shall be the amount necessary to amortize the Deferred Rent plus the interest accruing on it during the Extended Term in equal monthly installment over the Extended Term (the "Natural Amortization Rate"). These monthly rent payments shall be subject to periodic adjustments based on the changes in the prime rate from time to time.

Instead of repaying the entire balance of the Deferred Rent during the Extended Term, as provided, above, Lessee may prepay all or a portion of the Deferred Rent by increasing the rental rate payable on the remaining space other than the Defunded Space. Lessee may elect to pay such voluntary rental increases by written notice to Lessor provided that Lessee may not change the rental rate more frequently than once every 12 months. If Lessee prepays a portion but not all of the Deferred Rent prior to the expiration of the term of this lease, the remaining unpaid balance of Deferred Rent at the end of the term shall be repaid during the Extended Term at a rental rate equal to the greater of (i) the Natural Amortization Rate, or (ii) the rental rate provided in this lease (as increased by the 3.15% annual rent escalations provided in this lease, which escalations shall apply during the Extended Term as well). If the rental rate is the lease rate as provided in (ii) above, the Extended Term shall be shortened to the period of time necessary for Lessee to pay the balance of the Deferred Rent (including the interest accruing on it during the Extended Term) at such rental rate. The monthly payments under this paragraph, and the length of the Extended Term if the rental rate is that provided in (ii) above, shall be subject to periodic adjustments based on changes in the prime rate from time to time."

Analysis

Article XVIII within all four Master Leases contains the language legally required in all state leases of property lasting more than one year: "The State of Florida's performance and obligation to pay under this contract is contingent upon an annual appropriation by the

Legislature.” § 255.2502 Fla. Stat. (2011). However, the statute also states that “foregoing statement shall not be amended, supplemented, or waived,” and that “[a]ny contract in violation of this section shall be null and void.” *Id.*

As to the Koger Master Lease only, Addendum A of the Koger lease adds to Article XVIII, providing an alternative method of payment for DMS, or other agency parties to the contract, if the annual appropriation is not made. If Addendum A is categorized as a “supplement,” “amendment,” or “waiver” of the required Article XVIII language, the lease may appear to violate Florida law.

All four Master Leases do not contain the now-required option to terminate the lease should public space become available. These leases, if entered into today, would be in violation of current Florida law. In accordance with legislative mandate, this must be corrected.

Article XVIII presents the potential for the legislature to non-appropriate one of the Master Leases. The annual appropriation provision within Article XVIII is contingent on the actions the Legislature, not DMS. Any decision with regard to the use of Article XVIII rests with the Legislature. As stated earlier, it can be clearly anticipated that any use of the use of this clause by the Legislature would be met with a substantial legal challenge. A legal determination of the validity of the Legislature terminating any lease in accordance with the non-appropriation clause would ultimately be with the courts and based upon the specific facts of a legislative non-appropriation. The costs and potential for an adverse result from litigation may offset any anticipated savings from a non-appropriation.

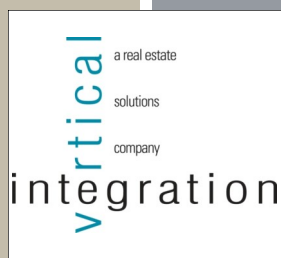
The legislative branch of government has the exclusive authority to appropriate the use and restrictions of public funding. *American Home Assur. Co. v. Nat'l Railroad Passenger Corp.*, 908 So. 2d 459 (Fla. 2005) ([t]he state may not employ state funds unless such use of funds is made pursuant to an appropriation by the Legislature,” and “exclusive control over public funds rests solely with the legislature”).

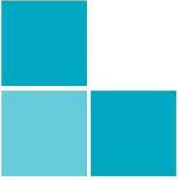
Conclusion

In accordance with Section 76 of Senate Bill 2002, this memorandum has identified the Leases over 150,000 square feet that “do not comply with state law or the state constitution, including non-compliance due to a non-appropriation clause.” (Section 76).

Leon County Master Plan

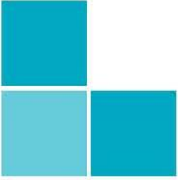
September 30, 2011





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Leon County Master Plan Executive Summary

Background

Chapter 2011-47, Laws of Florida, directs the Department of Management Services (DMS) to use the services of a tenant broker to renegotiate all leases over 150,000 square feet (SF). Pursuant to the directive, DMS solicited proposals from the three statewide tenant brokers and selected Vertical Integration, Inc., to complete a Leon County Master Plan in compliance with the direction, which states:

“Section 76: In order to implement Specific Appropriations 2587 through 2597 of the 2011-2012 General Appropriations Act and notwithstanding Chapter 255, Florida Statutes, the Department of Management Services shall use the services of a tenant broker to renegotiate all leases over 150,000 square feet. Based on the renegotiations, and by September 30, 2011, the department shall report to the Legislative Budget Commission the projected savings, implementation costs, and recommendations for leases to terminate.

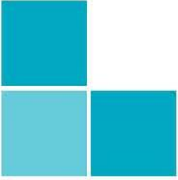
(1) The report shall also identify any leases that do not comply with state law or the State Constitution, including noncompliance due to a nonappropriation clause, and include recommendations to bring such leases into compliance by June 30, 2012.

(2) State agencies shall propose budget amendments pursuant to Chapter 216, Florida Statutes, to place the budget authority associated with the cost savings into reserve. If it is determined that additional savings may be derived from consolidating, co-locating, and/or restacking office space, the Executive Office of the Governor may transfer funds appropriated between agencies, subject to the notice, review, and objection procedures of s. 216.177, Florida Statutes.

(3) This section expires July 1, 2012.”

There are six leases over 150,000 SF statewide. Chapter 2011-47, Laws of Florida, was implemented through a four-phase study that included coordination with the impacted agencies and interaction with the private-sector landlords for the six largest leases in the state’s portfolio, five of which are located in Leon County. This study considered the office locations under the review of DMS and those agency locations (excluding universities) that have significant excess capacity. Four long-term leases in Leon County, each of which is over 150,000 SF, were the primary focus of the study. These locations are commonly referred to as the “master leases.” There are 12 agencies located in these four master lease locations:

- Ft. Knox Office Complex, which houses the Agency for Health Care Administration (AHCA)
- Tallahassee Center (formerly known as The Koger Center), which houses the Department of Financial Services (DFS), the Department of Juvenile Justice (DJJ), the Department of Education (DOE), the Department of Transportation (DOT), the Fish and Wildlife Conservation Commission (FWCC), the Department of State (DOS), the Agency for Workforce Innovation (AWI), and the Department of Health (DOH)



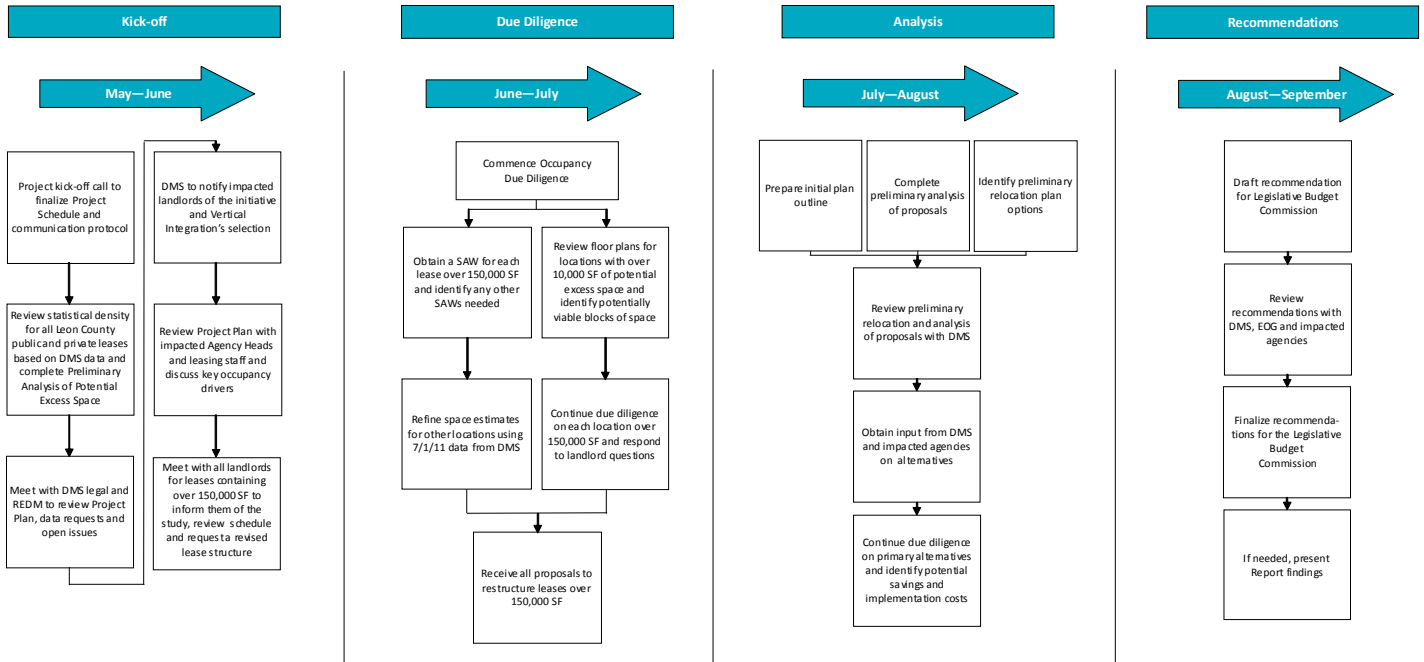
Leon County Master Plan Executive Summary

- Northwood Centre, which houses AWI, the Department of Business and Professional Regulation (DBPR), the Department of Children and Families (DCF), and DOS; and
- Winewood Office Complex, which houses DCF, the Department of Management Services (DMS), and AWI (through a sublease from DCF)

These four locations house 5,754 full time equivalent (FTE) positions at an average efficiency of 260 SF/FTE. The potential for improved efficiency of these locations was explored as part of this study. Based on the targeted efficiency of 180 SF/FTE, Vertical Integration, Inc., identified a theoretical excess square footage of over 450,000 SF within the four master leases.

In accordance with the legislation, the other two leases over 150,000 SF were also considered, including the Lottery headquarters in Leon County and the Division of Emergency Management warehouse for emergency supplies in Orange County. Both agencies are spearheading their respective re-negotiation efforts as related to Chapter 2011-47, Laws of Florida.

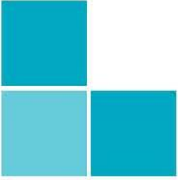
The Project Plan details the approach taken through each of the four phases: Kick-Off Activities, Due Diligence, Analysis, and Recommendations.



The Project Schedule associated with each of these steps is attached in Exhibit A of the Appendix.

Goal

The overall goal of this effort is to significantly reduce the state's occupancy costs through enhanced utilization of existing locations, restructured terms for needed private-sector space, and the creation of an overall occupancy plan that saves money and promotes good public policy.

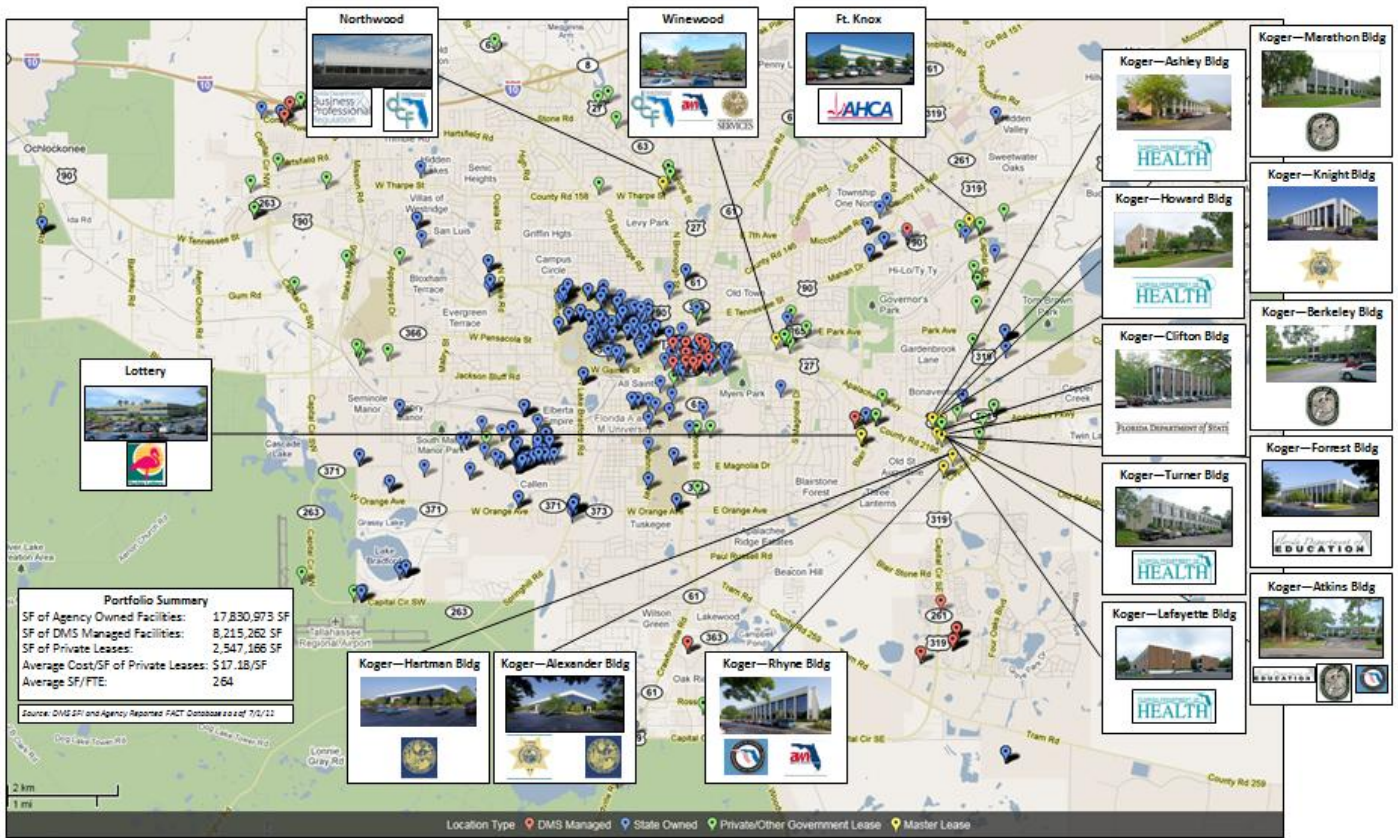


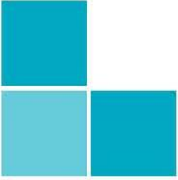
Leon County Master Plan Executive Summary

Occupancy of private-sector space will continue to be an important component of the state's real estate portfolio. With a focus on achieving short-term savings, a strategy is needed that will promptly and appropriately "right-size" the portfolio. However, those short-term strategies must also create the foundation for a more flexible and productive work place environment for the future.

Leon County Portfolio Overview

The State of Florida currently occupies 28,593,401 square feet (SF) in 994 facilities in Leon County. The map below shows all state-occupied facilities (owned and leased) in Leon County, a significant portion of which are occupied by universities and other entities over which DMS has limited oversight. The five leases of 150,000 SF or greater are highlighted in the callout boxes.





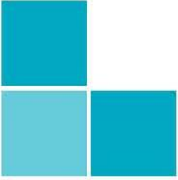
Leon County Master Plan Executive Summary

Alternatives and Recommendations

As required by Chapter 2011-47, Laws of Florida, Vertical Integration, Inc., attempted to renegotiate with each of the landlords in Leon County that have leases with the state for over 150,000 SF. Unfortunately, limited success has resulted to date. The following summarizes the status of negotiations with the leases listed largest to smallest in square footage:

- Koger: No modifications to lease terms have been offered.
- Northwood: On July 22, 2011, Northwood Centre proposed a "2.5 percent lease rate discount for three years in exchange for a five year extension of the lease for a savings of \$462,697." The terms of the five-year extension have not been negotiated. Other terms and lease provisions would remain unchanged, but suggestions to increase occupancy levels also were provided.
- Winewood: On September 22, 2011, Winewood indicated it was "prepared to fund the remaining tenant allowances - \$65,000.00 per year, totaling over \$300,000.00." This offer would not provide additional tenant improvement dollars, but it would expedite the payment of dollars already provided in the current lease. On September 29, 2011, Winewood subsequently offered "in addition to the tenant allowance payments, it would agree to provide \$250,000 to accommodate the (DCF) consolidation following AWI's move from the facility in exchange for an extension of the lease term for a period of three years beyond the current expiration date. Winewood is also willing to offer the same rental rate for the extended three-year period as is called for in year 2019." Both offers are conditioned upon "the current lease and lease terms are fully honored" and other terms and lease provisions would remain unchanged.
- Ft. Knox: No modifications to lease terms have been offered.

Given the various considerations related to each of these leases and the significant excess space found in both owned and leased facilities throughout the Leon County Portfolio, the study identified scenarios that would allow for agency operations at each of the four master Leases to be accommodated within other space already existing in the portfolio. While it will require an upfront investment to shrink the portfolio, the payback period is 1.5 years or less for each scenario.



Leon County Master Plan Executive Summary

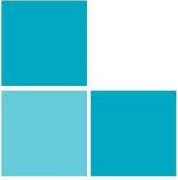
The following table shows a summary of the potential impact of each alternative. More detailed information on each scenario and the fiscal impact by agency can be found on pages 20 to 37.

**Scenario Evaluation Summary
Leon County Plan**

	Vacate Koger	Vacate Northwood	Vacate Winewood	Vacate Ft. Knox
Fiscal Year 11/12 Implementation Costs	(\$3,841,758)	(\$1,489,708)	(\$1,266,534)	(\$1,350,205)
Fiscal Year 12/13 Implementation Costs	(\$10,598,767)	(\$4,567,591)	(\$4,564,014)	(\$4,891,742)
Estimated Payback Period in Years	1.3	1.1	0.9	1.5
Estimated Savings Over Term	\$73,550,210	\$38,073,910	\$44,069,839	\$27,093,305

It is Vertical Integration’s recommendation that additional due diligence be conducted if the Legislative Budget Commission directs action be taken to pursue any of these alternatives. Such due diligence would allow time to confirm that buildings targeted to house additional state employees have the capacity to do so without negatively impacting agency operations. As part of the due diligence, preliminary planning completed for this study would be further refined and base building systems would be evaluated, including heating ventilation/air conditioning systems (HVAC), power demands, plumbing, environmental conditions, elevators, accessibility into and out of the facility, parking and any additional occupancy code requirements. It is estimated that additional due diligence will take a minimum of 60 days and approximately \$0.75 per square foot of impacted space would be needed for DMS to complete such due diligence. The expense for this needed due diligence is included in the overall implementation costs shown in the previous table but, in accordance with the Implementation Schedule shown in Exhibit B, funds for due diligence would need to be authorized prior to final approval for implementation.

Should the decision be made not to pursue any of the potential scenarios related to the master leases, then the state should consider implementing a back fill plan for excess space identified in this report that would reduce the amount of other space leased from the private-sector in Leon County.

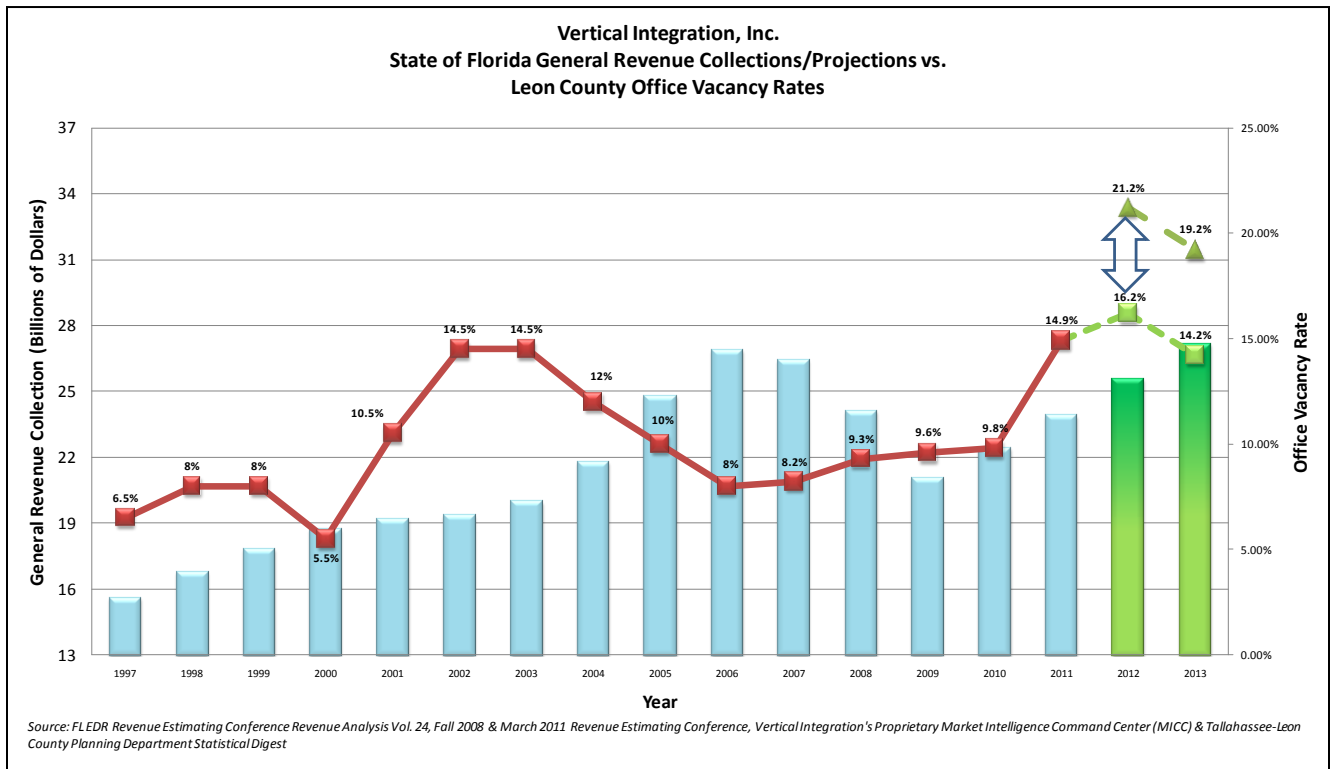


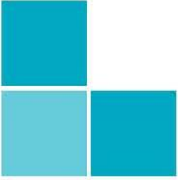
Leon County Master Plan

A. OCCUPANCY STUDY AND REAL PROPERTY MANAGEMENT MARKET ANALYSIS

Market Overview






The Leon County office market is comprised of over 800 buildings larger than 5,000 SF with a total inventory of approximately 16 million SF. Overall vacancy is approximately 14.9 percent. The following chart shows the correlation between State of Florida general revenue collections and office vacancy, shown in red, illustrating the significant impact state spending has on the Leon County office market. Given the projected revenue for the next two years and the known impending vacancies, it is anticipated that vacancy could peak in 2012.










Leon County Master Plan

The Leon County office market is comprised of five submarkets. As shown in the chart below, based on Vertical Integration's most recent market survey, vacancy varies among submarkets and is trending upward, meaning additional space will likely be available across the submarkets:

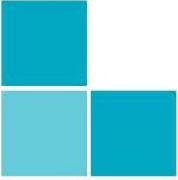
Vacancy Rate Analysis		
Submarket	Vacancy Rate	Trend
Northeast	12.9 percent	
Southeast	10.8 percent	
Northwest	20.6 percent	
Southwest	14.2 percent	
Downtown	10.6 percent	

**Source: Vertical Integration's Proprietary Market Intelligence Command Center (MICC)*

Lease rates also vary by submarket and product class, with average quoted rates trending downward in all submarkets as shown in the chart below.

Quoted Rental Rate Analysis			
Submarket	Quoted Full Service Rental Rate (2009)	Quoted Full Service Rental Rate (2011)	Trend
Northeast	\$19.85	\$18.10	
Southeast	\$18.22	\$16.92	
Northwest	\$16.75	\$16.18	
Southwest	\$15.10	\$15.08	
Downtown	\$27.00	\$25.10	

**Source: Vertical Integration's Proprietary Market Intelligence Command Center (MICC)*



Leon County Master Plan

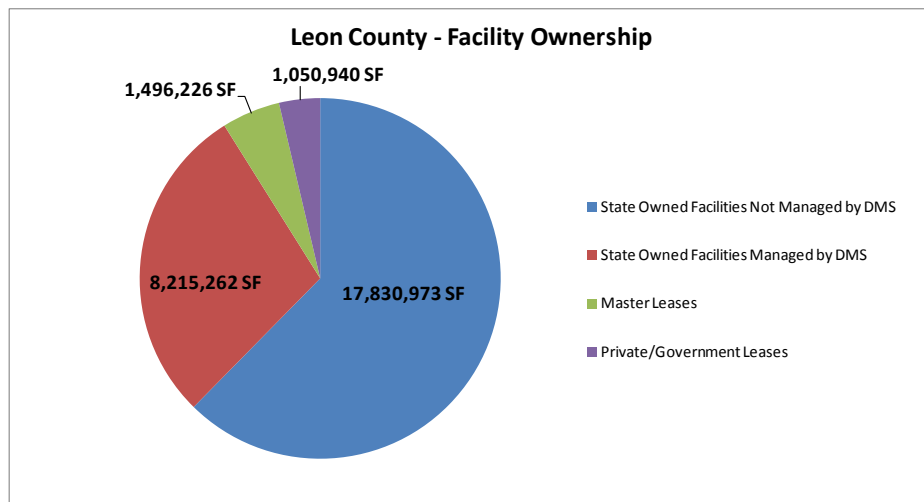
DMS is currently authorized to charge a uniform rental rate of \$17.18/SF for space in the DMS-managed facilities pool. The same rate is paid by agencies regardless of whether an agency occupies an old, inefficient and functionally obsolete building or a new, LEED certified, efficient building. The same rate is also applied whether the building is located in an expensive submarket with typical rates much higher than \$17.18/SF or a submarket with lower rates. Furthermore, when agencies are moving into, expanding or downsizing in DMS pool space they must typically fund their own improvements, which adds to their occupancy costs, especially in Year One.

Three Leon County submarkets have average rates quoted below the uniform rental rate, and those rates do not include the benefit of the typical concessions, which are currently available to credit tenants. Typical concessions often include a standard tenant improvement allowance of approximately \$2.00/SF per year of lease term for previously occupied space and higher improvement allowances for newly constructed space. Free rent and other concessions are also frequently available, resulting in concession packages that can reduce rental rates by approximately 15 percent.

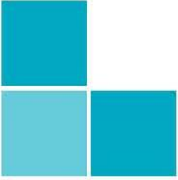
Given the considerable financial pressures facing agencies, each agency must carefully evaluate occupancy options and how those options will impact its budget. While available state-owned facilities with excess capacity are underutilized public investments that have significant carrying costs, current practice can create an incentive rather than a deterrent for agencies to lease additional space from the private-sector and benefit from the upfront concessions and lower upfront budgetary impacts.

Portfolio Overview

The State of Florida occupies 28,593,401 SF in Leon County as shown in the chart below:

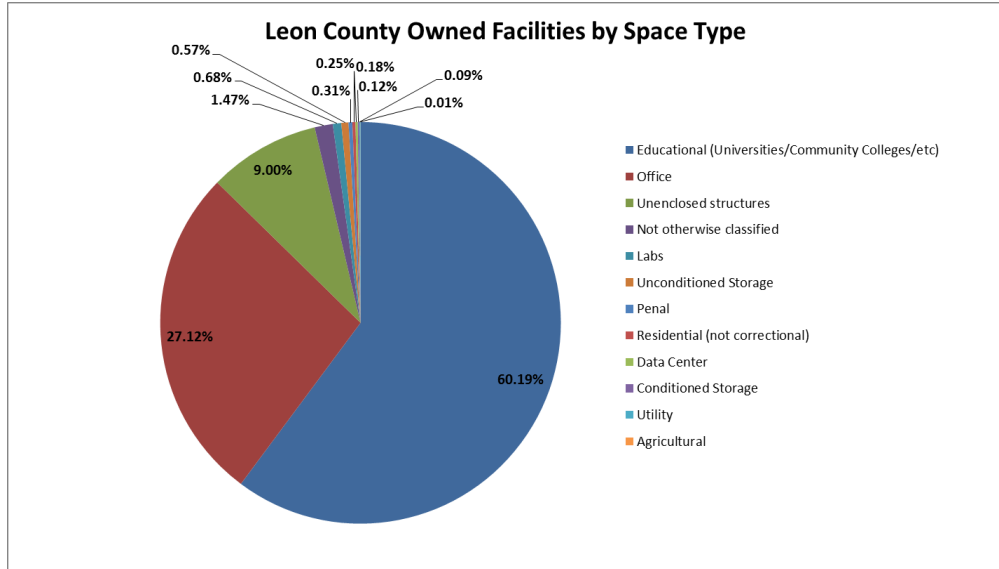


**Source: DMS SFI and Agency Reported FACT Databases as of 7/1/11*



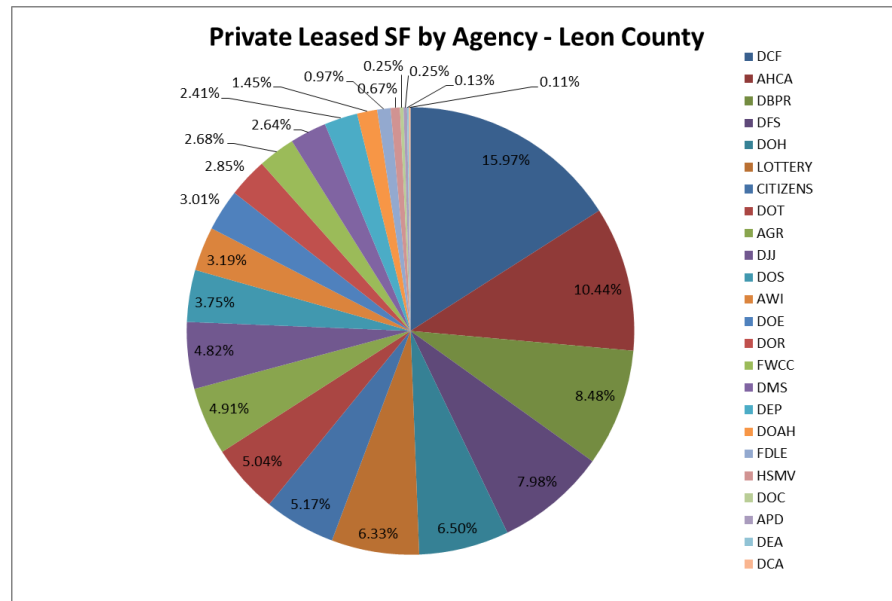
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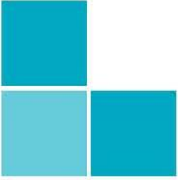
The state's owned facilities house numerous uses with a significant portion of the space belonging to universities as shown on the chart below.



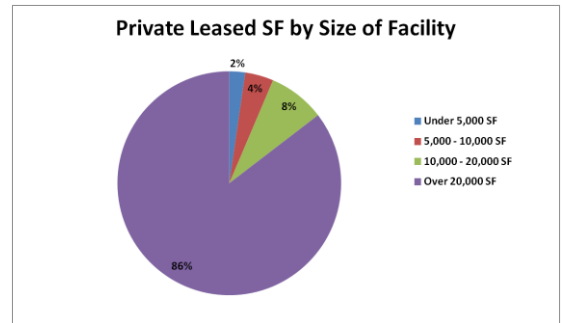
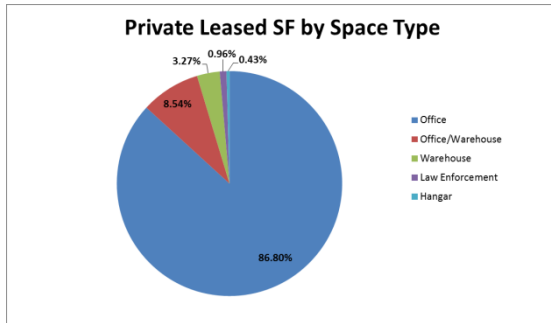
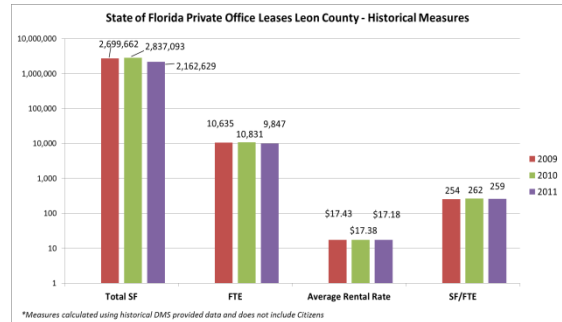
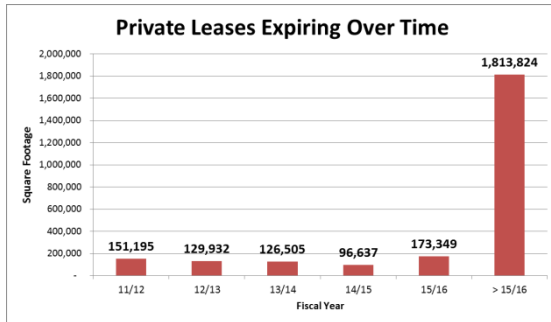
*Source: DMS SFI Database as of 7/1/11

A significant portion of the privately leased portfolio has traditionally been utilized as office space. The following charts provide an overview of the Leon County leased portfolio based on information in the DMS Facilities Accountability and Communication Tool (FACT) database, as reported by agencies as of 7/1/11.





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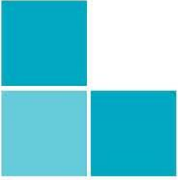


The following is a summary of the key terms of the four master leases:

Source: DMS Lease Data as of 7/1/11
Shown in order of existing master lease square
footage – largest to smallest



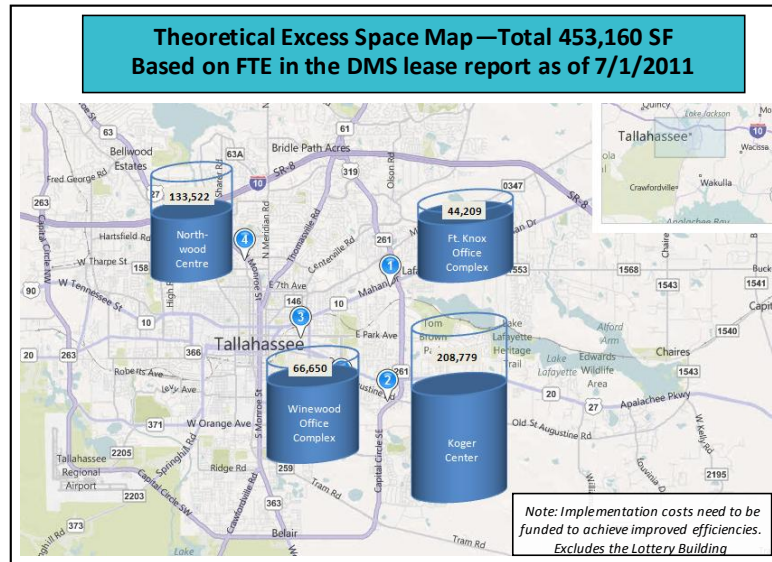
Location Name and Address	Koger—Multiple	Northwood—1940 North Monroe Street	Winewood—1317 Winewood Boulevard	Ft. Knox—2729 Ft. Knox Boulevard
Total SF	580,649	340,424	330,990	244,163
Expiration Date	10/31/2019	10/31/2019	12/31/2019	2/29/2020
Agencies under Master Lease	DFS, DJJ, DOE, DOT, FWCC, DOS, AWI & DOH	DBPR & DCF	DCF, DMS & AWI	AHCA
Current FTE	2,147	1,151	1,356	1,100
Square Feet (SF)/FTE	271	296	244	222
Effective Rental Rate Over Term	\$18.86	\$18.04	\$19.60	\$18.25
Tenant Improvements Provided in Master Lease	Lease specifies \$22.10/SF on the initial 502,165 SF, an additional \$21.85/SF on 16,962 SF, and an additional \$20.75/SF on 48,873 SF for a total of \$12,482,654.25	Lease specifies \$5.9 million, of which \$3.9 million is paid in 2004, \$1 million in 2009 and \$1 million in 2014. Additionally, carpet and paint are agreed to every 5 years.	Lease specifies a tenant improvement allowance \$500,000 in 2005 with \$65,000 a year for 10 years thereafter.	Lease specifies an initial capital improvement plan for paint, carpet and repairs. Other improvement commitments include carpet and paint for 206,164 SF in 2015; paint for 33,000 SF in 2010 and 2015; and carpet for 33,000 SF in 2011. Additionally, \$10/SF can be requested anytime during Years 6 through 11, with the allowance amortized over the remaining term and charged interest at 400 bps above prime.
Rental Rate Average Over Remaining Term	\$23.15	\$18.96/\$22.22	\$21.46	\$18.98
Est. Remaining Obligation Effective 7/1/12	\$98.1 M	\$50.3M	\$53.2 M	\$35.6 M
Landlord Entity	Tallahassee Corporate Center, LLC Great Neck, NY	Northwood Associates, LLC Atlanta, GA	Jack Richer & JD Raymond as Trustee & Winewood Park LTD Montreal, QC	NHW TP, LLC New York, NY



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Utilization

The state has various uses for office space in Leon County, such as agency headquarters, back office space, call centers and customer service centers. As part of this study and in conjunction with the Strategic Leasing Plan, the overall opportunities for improved space efficiency were evaluated. A range of space required per position for each agency was combined with updated headcount information obtained from each agency effective July 1, 2011. The potential theoretical excess space in the master leases totaled over 450,000 SF as shown below.

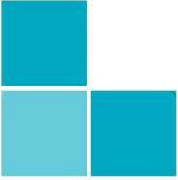


After reviewing the occupancy of other Leon County facilities occupied by the state, it was determined that additional efficiency could be achieved across the portfolio. The current average is 257 SF/FTE for leased space in Leon County and the average is 344 SF/FTE for eight agency-owned facilities.

When comparing those averages to the targeted 180 SF/FTE, the state clearly has opportunity for improved space utilization. Adjusting for typical unique needs of agencies, the theoretical excess square footage in Leon County exceeds 600,000 SF.

Current space requirements are determined when agencies complete a Space Allocation Worksheet (SAW). The current SAW worksheet details the number of staff assigned to five various workspaces:

- A 225-SF enclosed office for executives
- A 150-SF office for administrators
- A 100-SF office for managers and professionals requiring confidentiality
- An 80-SF workstation for professionals and supervising professionals
- A 60-SF workstation for paraprofessionals



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Additional support space commonly found in offices is added to the requirement, and an average of 180 SF/FTE is targeted. Agencies are then allowed to add “special support areas” that accommodate unique agency needs such as public reception areas, training centers, libraries, etc.

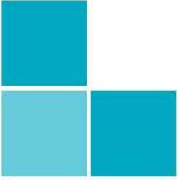
The current space allocation methodology occasionally results in 160 SF/FTE for call center type uses, but it also can be over 250 SF/FTE for some specialized uses. SAWs that have been submitted to DMS over the last three months have averaged 209 SF/FTE compared to the target of 180 SF/FTE. Furthermore, this approach may result in a maze of private offices, which is counter to the industry trend toward more open and collaborative space tailored to meet function needs as much, if not more, than staff status and seniority.

However, migrating to more efficient space frequently requires an upfront investment, including new furniture as well as reconfiguration costs or relocation costs. Furthermore, even if resources are available, statute currently does not allow state funds to be expended on physical improvements to leased spaces, meaning all improvements must be funded by the landlord and amortized into the rental rate paid by the state. Landlords will frequently fund tenant improvements as part of the negotiations when the state enters a new lease commitment. However, landlords may not be willing to fund additional improvements during the term of the lease, making required renovations difficult, if not impossible, even if the renovations would have a very favorable return on investment.

The occupancy and efficiency dynamic is even more challenging in state-owned buildings (DMS-managed and other) due to age, inefficiencies and the limited resources available for reconfiguration. Reconfigurations can require upgrades to the infrastructure, including HVAC, plumbing, electrical, ingress and egress, and parking capacity. Some older owned buildings also have asbestos issues that must be abated in a renovation. Furthermore, both leased and owned facility renovations are challenging due to the fact that most facilities are currently occupied, making renovation disruptive and requiring staging and multiple moves for occupants.

Despite these impediments, scenarios have been developed that would allow for significant consolidation and co-location of private-sector space in Leon County. In order to accommodate the required employees without expending significant capital, it will require some staff to be placed in different configurations than requested in their Space Allocation Worksheets. For example, when needed and feasible, employees assigned to 100-SF private offices were occasionally placed in a larger shared office. In addition, some staff normally in a workstation may be placed in a larger shared office in an attempt to avoid demolition and furniture costs.

Ultimately short-term cost reduction opportunities should be transitioned into a cohesive and transformative workplace strategy to meet the needs of Florida’s agencies. The state’s portfolio should be comprised of both leased and owned facilities that allow for efficient and productive work space that can be easily adapted to meet changing agency needs. While some upfront



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investment is needed, the return on investment can be significant, both in cost savings and operational efficiencies.

To achieve this more open collaborative and functional space, “alternative workplace strategies” are frequently utilized. Alternative workplace strategies can be applied to all or a portion of the workforce and can include a combination of pre-assigned space and spaces assigned on an as-needed basis. They include an array of approaches ranging from:

- Traditional telecommuting
- Mobile work, where employees consistently use multiple spaces (both inside and out of the office)
- Hoteling temporary workspaces assigned through a reservation system that could support both owned and leased locations
- Satellite offices, which are smaller spaces located for greater employee convenience

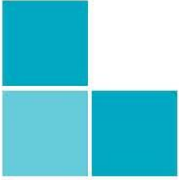
The State of Florida is not unique in the challenges it faces. Most users of space are struggling with ways to reduce their footprints and their occupancy. Decisions to migrate to various alternative workplace strategies are being driven by several factors:

- Pressure to reduce operating costs
- The viability of technology to support mobility and performance measurement
- Sustainability goals
- The work style preference of younger workers

A recent study by CoreNet Global was conducted to understand the degree to which real estate portfolios are likely to change and to determine the key drivers of change. CoreNet Global is the leading professional organization for corporate real estate, and its members include both real estate services providers and the companies and organizations they serve. This study also considered how closely linked alternative work strategies are to real estate compression trends and the adoption levels for alternative work strategies.

The survey showed approximately 20 percent of respondents average less than 150 SF/FTE; 33 percent currently average 151-200 SF/FTE; 32 percent currently average 201-250 SF/FTE with the remainder averaging over 250 SF/FTE. Only 14 percent of the respondents have not initiated some form of alternative workplace strategies. While survey respondents were primarily large private-sector end users of space, it did include some public sector users.

The DMS Strategic Leasing Plan articulates both short- and long-term strategies to evolve the state’s real estate portfolio to a more flexible and dynamic work place. While the focus of this report is short-term savings, if a portion of the significant potential savings over the next seven and a half years can be directed toward longer-term space improvements, savings can be even greater than currently estimated.



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B. ALTERNATIVES AND RECOMMENDATIONS

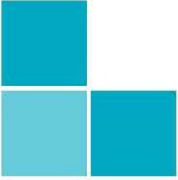
The four master leases were the primary focus of the study, but over 163 other leases and owned locations were also considered. Over 1,600 hours have been spent considering multiple scenarios, but given the statutory directive, a scenario that contemplated vacating each of the master leases was evaluated.

As directed in Chapter 2011-47, Laws of Florida, Vertical Integration, Inc., attempted to renegotiate with each of the landlords in Leon County that have leases with the state for over 150,000 SF. The following summarizes the status of negotiations with the leases listed largest to smallest in square footage:

- Koger: No modifications to lease terms have been offered.
- Northwood: On July 22, 2011, Northwood Centre proposed a "2.5 percent lease rate discount for three years in exchange for a five year extension of the lease for a savings of \$462,697." The terms of the five-year extension have not been negotiated. Other terms and lease provisions would remain unchanged, but suggestions to increase occupancy levels also were provided.
- Winewood: On September 22, 2011, Winewood indicated it was "prepared to fund the remaining tenant allowances - \$65,000.00 per year, totaling over \$300,000.00." This offer would not provide additional tenant improvement dollars, but it would expedite the payment of dollars already provided in the current lease. On September 29, 2011, Winewood subsequently offered "in addition to the tenant allowance payments, it would agree to provide \$250,000 to accommodate the (DCF) consolidation following AWI's move from the facility in exchange for an extension of the lease term for a period of three years beyond the current expiration date. Winewood is also willing to offer the same rental rate for the extended three-year period as is called for in year 2019." Both offers are conditioned upon "the current lease and lease terms are fully honored" and other terms and lease provisions would remain unchanged.
- Ft. Knox: No modifications to lease terms have been offered.

While the Lottery has a lease in excess of 150,000 SF, Lottery staff expressed the opinion Chapter 2011-47, Laws of Florida, did not apply to its headquarters location. As such, Lottery was not part of the renegotiation efforts outlined in this report, nor was its space reviewed for additional capacity. However, Lottery has reported it is working with two agencies to sublease approximately 17,000 SF.

The only other location subject to Section 76 is the Division of Emergency Management's lease for 187,196 SF in Orlando. This location is a warehouse for emergency supplies, so it is not a typical office use. As such, this facility was not considered part of the Leon County study, but its landlord



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has been contacted and renegotiation efforts are underway, pursuant to Chapter 2011-47, Laws of Florida.

The following is a summary of each of the four alternatives shown in order of existing master lease square footage – largest to smallest:

**Scenario Evaluation Summary
Leon County Plan**

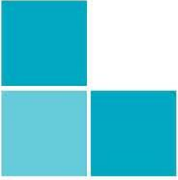
	Vacate Koger	Vacate Northwood	Vacate Winewood	Vacate Ft. Knox
Fiscal Year 11/12 Implementation Costs	(\$3,841,758)	(\$1,489,708)	(\$1,266,534)	(\$1,350,205)
Fiscal Year 12/13 Implementation Costs	(\$10,598,767)	(\$4,567,591)	(\$4,564,014)	(\$4,891,742)
Estimated Fiscal Impact in FY 12/13	(\$5,028,665)	(\$1,112,152)	(\$1,367,493)	(\$2,771,565)
Estimated Payback Period in Years	1.3	1.1	0.9	1.5
Average Annual Rent Reduction	\$12,596,386	\$6,318,950	\$6,979,706	\$4,500,100
Total Square Feet Vacated	580,649	395,532	330,990	244,163
Estimated Savings Over Term	\$73,550,210	\$38,073,910	\$44,069,839	\$27,093,305

Each of these scenarios will require an upfront investment in order to achieve longer-term savings, but the return on that investment is substantial with payback periods of 1.5 years or less. While each scenario has a payback period of less than 1.5 years, the budget impacts to each participating agency can vary significantly. Given the potential overall savings to the state, it is recommended that the negative impact incurred by some participating agencies be mitigated, pursuant to paragraph (2) of Section 76 of Chapter 2011-47, Laws of Florida.

The potential savings outlined in each scenario contemplates the vacated lease would be terminated effective January 1, 2013. Should anything delay the termination, the savings would be impacted, especially the Fiscal Year 12/13 savings.

Given the numerous scenarios and moving pieces that constituted this study, it was neither cost effective or possible to complete full due diligence on each scenario, and while each scenario has unique assumptions, risks and challenges, the following general assumptions have been made:

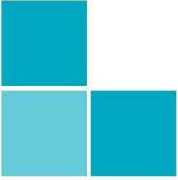
- **Vertical Integration has not examined the legal issues with regard to the early vacation/termination of any existing lease obligations. Nothing stated herein should be construed to render a legal opinion or legal advice or the potential financial**



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consequences or litigation concerning early vacation/termination of any existing lease obligation.

- Additional space planning and base building due diligence (electrical, plumbing, HVAC, environmental conditions, etc.) as well as parking capacity are required to finalize implementation costs and savings estimates
- In order to achieve targeted savings, the Legislative Budget Commission and/or Legislature would need to provide timely approval and funding for the following activities:
 - Due Diligence by 11/1/11
 - Planning by 2/1/12
 - Implementation by 4/15/12
- The cost of ongoing rent at existing facilities from 7/1/12 – 12/31/12 is included in the Fiscal Year 12/13 fiscal impact numbers and overall savings
- Rent for some impacted agencies is paid from federal or trust fund dollars so not all projected savings will flow through to General Revenue
- FTE data is from July 1, 2011 projections provided by each agency. Should requirements vary from expectations, it would impact scenarios
- Implementation would be complete by December 31, 2012
- Contract administration for implementation of planning and construction will be managed through DMS rather than individual agencies
- Implementation costs do not include available funds provided by landlords as outlined under the existing Master Lease agreements
- Utilizing state funds to implement needed improvements in the master lease facilities would require statutory approval
- New lease terms proposed by Northwood Centre have not been included in the analysis
- Assumes utilization of existing furniture inventory, and if new furniture is required, it would impact implementation costs
- Should excess furniture result, additional implementation costs could be incurred for disposition
- Space was reduced to logical demising points and creation of new demised spaces was avoided, even if some additional efficiency was possible.
- Walls targeted for demolition do not go through the ceiling grid, and if a significant portion of the walls go through the ceiling grid, additional costs for implementation would be incurred
- No overtime has been budgeted
- Focus was on meeting seat count needs, and office adjacencies have not been addressed at this stage
- Lease terms are not coterminous, so in some cases the lease obligation made by an agency would be for a different term than its current commitment

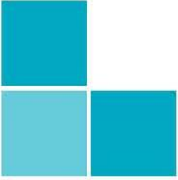


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- The rates for Koger reflect current rates being paid and do not reflect any potential modifications related to the current litigation which may result in increased rental rates
- The average rate of \$18.43/SF shown for DMS buildings reflects a two percent annual increase to the current state rate of \$17.18/SF
- Square footages are as reported to DMS on 7/1/11
- When agencies are consolidated into a single location, the FTE's are fully accounted for, but they may be adjusted from the original location numbers to better reflect the average SF/FTE at the new location
- Prison labor may be utilized for moves
- A contingency for planning and construction costs has been added to the overall scenario cost and may impact individual agency implementation costs and savings if utilized

It should also be noted that there are significant challenges and risks with each scenario including:

- The implementation schedule is compressed compared to industry best practices, and schedule delays would impact savings projections, particularly for Fiscal Year 12/13.
- Preliminary occupancy plans result in less-than-ideal configurations, and some employees who currently have private offices would have to share an office if implemented. When needed and feasible, FTE assigned to 100-SF private offices or workstations on the SAW were placed in larger shared offices. For example, two 100-SF private offices could be converted to one 200-SF office shared by 3 FTE.
- The staff levels eligible for shared offices vary per agency, but the Revenue protocol for its CCOC space was a guideline.
- Ancillary/support spaces were accommodated to the extent possible, and some deficits exist as noted in agency comments.
- Agency COOP plans may be impacted.
- In order to meet Fiscal Year 12/13 fiscal goals, recommended improvements to spaces will have to be delayed and space will mostly be occupied in an "as is" condition even though it would be less disruptive and more cost effective to make longer term improvements prior to increasing the space density.
- Carpet would be patched whenever feasible, rather than re-carpet the entire area, which would have a preferable appearance.
- Construction will be required in occupied spaces, so there will be disruption to impacted agencies.
- Local permitting, as well as Fire Marshal approval, may be required for some locations.
- Potential litigation could impact savings and the implementation schedule.
- Given the limited response to date, negotiations may continue after the September 2011 report to the Legislative Budget Commission is presented.
- Should terms be agreed to by a landlord, lender approval for terms may still be problematic.



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Absent any substantial change in terms offered by the current master lease landlords, the following scenarios outline the impact should the decision be made to vacate any one of the master leases. Given the constraint of only utilizing existing space in the portfolio, each scenario is a standalone scenario.

Each scenario overview includes a description of the state's occupancy as it currently exists and as it could exist if the space was vacated and the state's needs were to be accommodated in existing space, either leased or owned by the state. None of the scenarios contemplate the state acquiring new space. This study focused on reducing the state's footprint.

The following pages show each scenario and they are shown in order of size of the master lease – largest to smallest:

- Vacate Koger
- Vacate Northwood
- Vacate Winewood
- Vacate Ft. Knox

Each scenario summary also highlights:

- The estimated fiscal impact of the scenario overall
- The estimated fiscal impact of the scenario to each impacted agency
- An implementation timeline
- Scenario specific assumptions
- General assumptions
- Benefits of implementation
- Scenario challenges and risks
- General challenges and risks
- Options to mitigate risk
- Comments from impacted agencies

**Scenario
Vacate Koger**

1 of 6

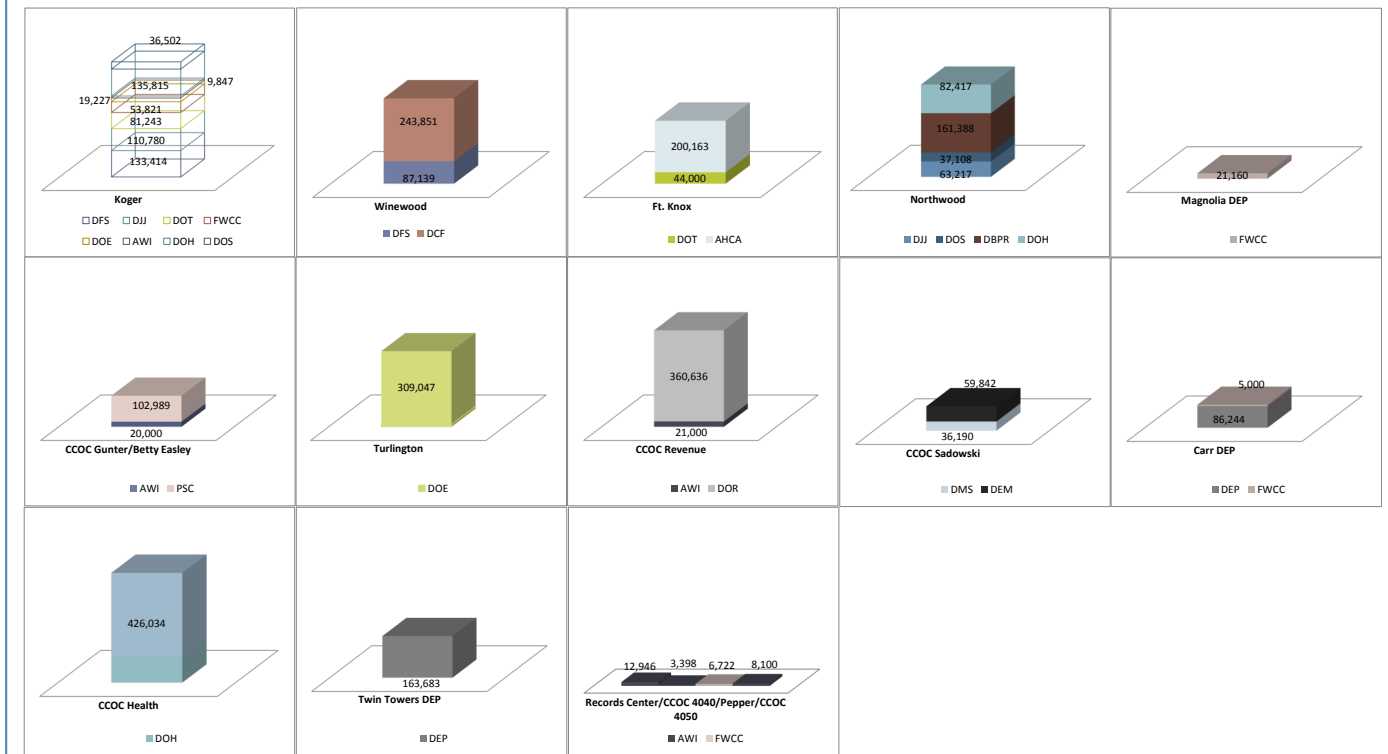
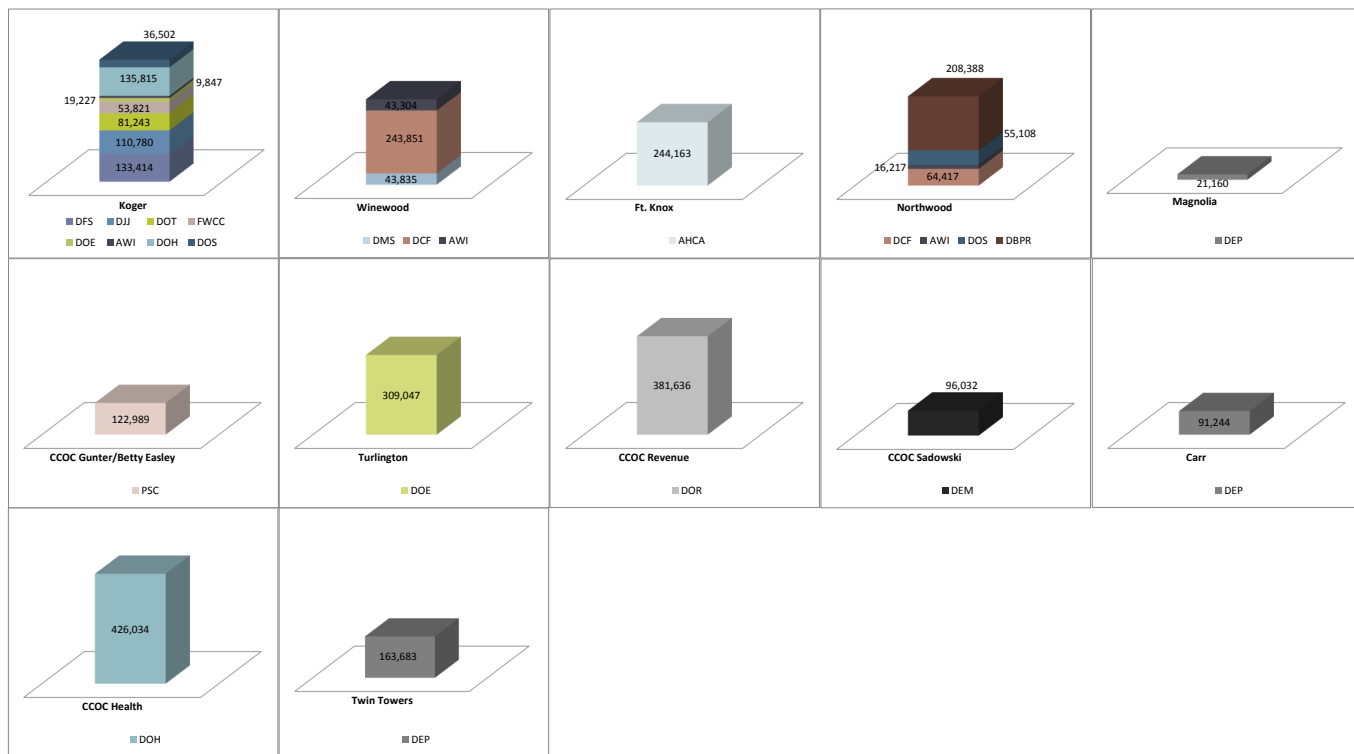
Scenario Summary: In this scenario, all of the State agencies that are part of the master lease at Koger are relocated to existing space within the State portfolio. Sixteen agencies are impacted by this scenario and the State portfolio would be reduced by 580,649 SF through agencies reducing their portfolios by 549,483 SF and 31,166 SF of unutilized or underutilized space being leveraged. The estimated savings for this scenario is over **\$73.5 million**.

Current State - As of 7/1/2012

Agency	Current Facility	FTE	SF	Efficiency (SF/FTE)	Average Rate	Average Annual Rent	Remaining Obligation
DFS	Koger	384	133,414	347	\$23.15	\$3,088,534	\$22,546,299
DMS	Winewood	198	43,835	221	\$21.46	\$940,699	\$7,055,243
DEM	CCOC Sadowski	265	96,032	362	\$18.43	\$1,769,870	\$13,274,023
AWI	Winewood	219	43,304	198	\$21.46	\$929,304	\$6,969,779
DOR	CCOC Revenue	1962	381,636	195	\$18.43	\$7,033,551	\$52,751,636
PSC	CCOC Gunter/Betty Easley	278	122,989	442	\$18.43	\$2,266,687	\$16,546,817
DJJ	Koger	325	110,780	341	\$23.15	\$2,564,557	\$18,721,266
AWI	Northwood	104	16,217	156	\$18.58	\$301,312	\$2,199,577
DBPR	Northwood	873	208,388	239	\$18.96	\$3,951,036	\$28,842,566
DOE	Koger	49	19,227	392	\$23.15	\$445,105	\$3,249,267
DOE	Turlington	1396	309,047	221	\$18.43	\$5,695,736	\$41,578,874
DOT	Koger	289	81,243	281	\$23.15	\$1,880,775	\$13,729,661
AHCA	Ft. Knox	1100	244,163	222	\$18.98	\$4,634,214	\$35,683,446
FWCC	Koger	201	53,821	268	\$23.15	\$1,245,956	\$9,095,480
DEP	Carr DEP	331	91,244	276	\$18.43	\$1,681,627	\$12,275,877
DEP	Magnolia DEP	93	21,160	228	\$16.72	\$353,795	\$2,582,705
DEP	Twin Towers DEP	743	163,683	220	\$18.43	\$3,016,678	\$22,021,747
DOS	Koger	114	36,502	320	\$23.15	\$845,021	\$6,168,655
DOS	Northwood	50	55,108	1,102	\$19.51	\$1,075,157	\$7,848,647
AWI	Koger	54	9,847	182	\$23.15	\$227,958	\$1,664,094
DOH	Koger	731	135,815	186	\$23.15	\$3,144,117	\$22,952,056
DOH	CCOC Health	1983	426,034	215	\$18.43	\$7,851,807	\$57,318,188
DCF	Northwood	278	64,417	232	\$22.22	\$1,431,346	\$10,448,824
DCF	Winewood	939	243,851	260	\$21.46	\$5,233,042	\$39,247,818
Total		12,959	3,111,757			\$61,607,886	\$454,772,545

Future State - Effective 1/1/2013

Agency	Ending Facility	FTE	SF	Implementation Cost \$/SF	Efficiency (SF/FTE)	Average Rate	Average Annual Rent	Remaining Obligation
DFS	Winewood DMS	193	43,835	\$20.00	227	\$21.60	\$946,836	\$6,627,852
DFS	Winewood AWI	191	43,304	\$20.00	227	\$21.60	\$935,366	\$6,547,565
DMS	CCOC Sadowski	198	36,190	\$7.50	183	\$18.52	\$670,239	\$4,691,672
DEM	CCOC Sadowski	265	59,842	\$0.00	226	\$18.52	\$1,108,274	\$7,757,917
AWI	CCOC Revenue	120	21,000	\$6.00	175	\$18.52	\$388,920	\$2,722,440
AWI	CCOC Gunter/Betty Easley	99	20,000	\$10.00	202	\$18.52	\$370,400	\$2,592,800
DOR	CCOC Revenue	1962	360,636	\$0.28	184	\$18.52	\$6,678,979	\$46,752,851
PSC	CCOC Gunter/Betty Easley	278	102,989	\$5.00	370	\$18.52	\$1,907,356	\$12,970,023
DJJ	Northwood AWI	83	16,217	\$10.00	195	\$18.69	\$303,096	\$2,061,051
DJJ	Northwood DBPR	242	47,000	\$10.50	194	\$19.08	\$896,760	\$6,097,968
AWI	Records Center	82	12,946	\$5.00	158	\$18.52	\$239,760	\$1,630,367
AWI	CCOC 4040	22	3,398	\$5.00	154	\$18.52	\$62,931	\$427,931
DBPR	Northwood	873	161,388	\$10.00	185	\$19.08	\$3,079,283	\$20,939,125
DOE	Turlington	46	9,900	\$11.00	215	\$18.52	\$183,348	\$1,246,766
DOE	Turlington	1399	299,147	\$0.00	214	\$18.52	\$5,540,202	\$37,673,377
DOT	Ft. Knox	289	44,000	\$12.60	152	\$19.06	\$838,640	\$6,038,208
AHCA	Ft. Knox	1100	200,163	\$5.00	182	\$19.06	\$3,815,107	\$27,468,769
FWCC	Pepper	41	6,722	\$10.00	164	\$18.52	\$124,491	\$846,542
FWCC	Carr DEP	31	5,000	\$10.00	161	\$18.52	\$92,600	\$629,680
FWCC	Magnolia DEP	129	21,160	\$10.00	164	\$16.72	\$353,795	\$2,405,807
DEP	Carr DEP	331	86,244	\$1.15	261	\$18.52	\$1,597,239	\$10,861,224
DEP	Twin Towers DEP	108	21,160	\$5.00	196	\$18.52	\$391,883	\$2,664,806
DEP	Twin Towers DEP	728	142,523	\$0.00	196	\$18.52	\$2,639,526	\$17,948,777
DOS	Northwood	82	18,502	\$15.00	226	\$19.95	\$369,115	\$2,509,981
DOS	Northwood	82	18,606	\$15.00	227	\$19.95	\$371,190	\$2,524,090
AWI	CCOC 4050	54	8,100	\$5.00	150	\$18.52	\$150,012	\$1,020,082
DOH	CCOC Health	731	100,000	\$10.00	137	\$18.52	\$1,852,000	\$12,593,600
DOH	Northwood DOS	107	18,000	\$25.00	168	\$19.95	\$359,100	\$2,441,880
DOH	Northwood DCF	384	64,417	\$10.00	168	\$22.35	\$1,439,720	\$9,790,096
DOH	CCOC Health	1492	326,034	\$3.50	219	\$18.52	\$6,038,150	\$41,059,418
DCF	Winewood DCF	321	64,417	\$5.00	201	\$21.60	\$1,391,407	\$9,739,850
DCF	Winewood	896	179,434	\$5.00	200	\$21.60	\$3,875,774	\$27,130,421
Total		12,959	2,562,274				\$49,011,499	\$338,412,934



**Scenario
Vacate Koger**

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Fiscal Impact Summary

Agency	New SF	Reduction in SF	Estimated Implementation Cost FY 11/12	Estimated Implementation Cost FY 12/13	Rent Reduction in FY 12/13	Estimated Payback Period in Years	Estimated Fiscal Impact FY 12/13	Average Annual Rent Reduction	Savings Over Term
AHCA	200,163	(44,000)	(\$300,245)	(\$700,571)	\$382,946	1.3	(\$317,624)	\$819,107	\$4,994,420
AWI	65,444	(3,924)	(\$128,666)	(\$319,554)	\$106,370	2.1	(\$213,184)	\$246,551	\$1,323,076
DBPR	161,388	(47,000)	(\$403,470)	(\$1,210,410)	\$370,207	2.2	(\$840,203)	\$871,753	\$4,494,299
DCF	243,851	147,819	(\$365,777)	(\$853,479)	\$624,685	1.0	(\$228,793)	\$1,397,207	\$8,547,579
DEM	59,842	(248,426)	\$0	\$0	\$310,872	0.0	\$310,872	\$661,596	\$4,691,191
DEP	249,927	(26,160)	(\$48,989)	(\$155,992)	\$219,848	0.5	\$63,856	\$423,452	\$2,833,821
DFS	87,139	(46,275)	(\$348,556)	(\$1,394,224)	\$498,078	1.7	(\$896,146)	\$1,206,332	\$6,259,942
DJJ	63,217	(47,563)	(\$158,043)	(\$497,628)	\$581,329	0.6	\$83,702	\$1,364,701	\$8,770,528
DMS	36,190	(7,645)	(\$90,475)	(\$180,950)	\$122,218	1.1	(\$58,732)	\$270,460	\$1,659,057
DOE	309,047	(19,227)	(\$19,800)	(\$89,100)	\$197,173	0.3	\$108,073	\$417,291	\$2,947,212
DOH	508,451	(53,398)	(\$945,094)	(\$2,290,196)	\$563,167	2.9	(\$1,727,029)	\$1,306,954	\$6,097,547
DOR	360,636	(21,000)	(\$14,425)	(\$86,553)	\$180,390	0.3	\$93,837	\$354,573	\$2,619,554
DOS	37,108	(54,502)	(\$148,432)	(\$408,188)	\$537,228	0.5	\$129,040	\$1,179,874	\$7,553,555
DOT	44,000	(37,243)	(\$132,000)	(\$422,400)	\$429,447	0.6	\$7,047	\$1,042,135	\$6,303,906
FWCC	32,882	(20,939)	(\$82,205)	(\$246,615)	\$274,345	0.6	\$27,730	\$675,070	\$4,332,696
PSC	102,989	(20,000)	(\$154,484)	(\$360,462)	\$171,800	1.5	(\$188,662)	\$359,331	\$2,005,374
Subtotal	2,562,274	(549,483)	(\$3,340,659)	(\$9,216,319)	\$5,570,102	1.1	(\$3,646,217)	\$12,596,386	\$75,433,756
Planning and construction contingency			(\$501,099)	(\$1,382,448)			(\$1,382,448)		(\$1,883,547)
Total			(\$3,841,758)	(\$10,598,767)	\$5,570,102	1.3	(\$5,028,665)	\$12,596,386	\$73,550,210

Timeline to Achieve Savings

(Minimum 11 month Implementation Duration from Due Diligence Funding)



Scenario Assumptions

- Budget adjustments may need to be made in order to avoid penalizing those agencies with longer payback periods
- Further planning may be needed to address federal requirements for DOH's DDD requirement currently located at Koger
- DOH's data center at Koger will be relocated to the Shared Resource Center per statute, and relocation costs are not included
- A restack of existing space occupied by DOH at CCOC is planned to accommodate the Koger requirement in a single location, and additional space may be made available at Northwood Centre pending further due diligence
- The AWI lease at Northwood expires 8/30/2013, but for comparison purposes the lease is shown as coterminous with the Northwood master lease
- The rates for Koger reflect current rates being paid and do not reflect any modifications that may result from a current dispute over utility costs
- Plans have not been completed for DOE's relocation, but space should be available within DOE's Leon County portfolio given the move of the School Nutrition Program to Agriculture
- DOE has already notified Koger of its intent to vacate 7,000 SF, but the lease terms shown reflect the original lease commitment
- Any agency that occupies space in CCOC Revenue will need to utilize VOIP
- The DEP lease at Magnolia expires 3/14/2013, but for comparison purposes, the lease is shown to be coterminous with the Koger master lease
- Although planning is not yet complete, DEP intends to utilize a portion of its existing space at Twin Towers to accommodate the FTE currently at Magnolia, so no additional rent has been added
- DCF's average rate was equalized to include \$2.70/SF for the estimated utility costs that DCF pays directly
- DOT will utilize a portion of its existing space to accommodate some of the FTE from Koger so overall utilization at Ft Knox may vary from the 152 SF/FTE shown
- Effort will be made to work with Northwood Centre to create more efficient shared conferencing areas and break areas to supplement those in each agency's leased space
- DOS will utilize existing DOS space for a portion of the current Northwood requirement
- DFS has 20 additional FTE at Koger that will be accommodated in existing DFS space
- No implementation costs are included to make the 36,190 SF at Sadowski available given the downsize already
- Plans showing how the occupancy of the Northwood and Winewood spaces would be impacted by this scenario have been shared with the respective landlords and to date, no negative feedback has been received

General Assumptions

- Vertical Integration has not examined the legal issues with regard to the early vacation/termination of any existing lease obligations. Nothing stated herein should be construed to render a legal opinion or legal advice or the potential financial consequences or litigation concerning early vacation/termination of any existing lease obligation.
- Additional space planning and base building due diligence (electrical, plumbing, HVAC, environmental conditions, etc.) as well as parking capacity are required to finalize implementation costs and savings estimates
- In order to achieve targeted savings, the LBC and/or Legislature would need to provide timely approval and funding for the following activities:
 - Due Diligence by 11/1/11
 - Planning by 2/1/12
 - Implementation by 4/15/12
- The cost of ongoing rent at existing facilities from 7/1/12 – 12/31/12 is included in the FY 12/13 fiscal impact numbers and overall savings
- Rent for some impacted agencies is paid from federal or trust fund dollars so not all projected savings will flow through to General Revenue
- FTE data is from July 1, 2011 projections provided by each agency. Should requirements vary from expectations, it would impact scenarios
- Facility/lease data was provided by DMS based on July 1, 2011 agency responses or updated information was provided directly from the agencies
- Implementation would be complete by December 31, 2012
- Contract administration for implementation of planning and construction will be managed through DMS rather than individual agencies
- Implementation costs do not include available funds provided by landlords as outlined under the existing Master Lease agreements
- Utilizing state funds to implement needed improvements in the master lease facilities would require statutory approval
- New lease terms proposed by Northwood Centre have not been included in the analysis
- Assumes utilization of existing furniture inventory, and if new furniture is required, it would impact implementation costs
- Should excess furniture result, additional implementation costs could be incurred for disposition
- Space was reduced to logical demising points and creation of new demised spaces was avoided, even if some additional efficiency was possible
- Walls targeted for demolition do not go through the ceiling grid, and if a significant portion of the walls go through the ceiling grid, additional costs for implementation would be incurred
- No overtime has been budgeted
- Focus was on meeting seat count needs, and office adjacencies have not been addressed at this stage
- Lease terms are not coterminous, so in some cases the lease obligation made by an agency would be for a different term than its current commitment
- The rates for Koger reflect current rates being paid and do not reflect any potential modifications related to the current litigation which may result in increased rental rates
- The average rate of \$18.43/SF shown for DMS buildings reflects a two percent annual increase to the current state rate of \$17.18/SF
- When agencies are consolidated into a single location, the FTE's are fully accounted for, but they may be adjusted from the original location numbers to better reflect the average SF/FTE at the new location
- Prison labor may be utilized for moves
- A contingency for planning and construction costs has been added to the overall scenario cost and may impact individual agency implementation costs and savings if utilized

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Assumptions

Scenario Challenges/Risks

- Given the number and size of moves that would be required to be implemented concurrently, existing DMS staff support may be impacted
- DFS and DJJ would be in significantly compressed space and some support spaces that were duplicated in each agencies multiple buildings at Koger would need to be consolidated
- DOH will have to identify functions that can be separated from the functions at CCOC
- Limited information is available on the opportunities at CCOC Gunter, which may impact the AWI relocation
- AWI would go from three locations to five locations, four of which are at CCOC
- FWCC would be split into three locations

General Challenges/Risks

- The implementation schedule is compressed compared to industry best practices, and schedule delays would impact savings projections, particularly for FY 12/13
- Preliminary occupancy plans result in less-than-ideal configurations, and some employees who currently have private offices would have to share an office if implemented. When needed and feasible, FTE assigned to 100-SF private offices on the SAW were placed in larger shared offices
- Two 100-SF private offices could be converted to one 200-SF office shared by 3 FTE
- Some existing larger offices were planned for more than one FTE
- The staff levels eligible for shared offices vary per agency, but the Revenue protocol for its CCOC space was a guideline
- Ancillary/support spaces were accommodated to the extent possible, and some deficits exist as noted in agency comments
- Agency COOP plans may be impacted
- Carpet would be patched whenever feasible, rather than re-carpet
- In order to meet FY 12/13 fiscal goals, recommended improvements to spaces will have to be delayed and space will mostly be occupied in an "as is" condition even though it would be less disruptive and more cost effective to make longer term improvements prior to increasing the space density
- Construction will be required in occupied spaces, so there will be disruption to impacted agencies
- Local permitting, as well as Fire Marshal approval, may be required for some locations
- Potential litigation
- Negotiations may continue after the September 2011 report to the LBC is presented, but requested modifications to update lease language to current standards have not been agreed to by the landlords
- Should terms be agreed to by a landlord, lender approval for terms may still be problematic

Options to Mitigate Risks

- Project schedules have been developed for each scenario outlining critical path items
- Preliminary evaluations have been conducted on other facilities in the portfolio that may be viable options should additional space be needed to accommodate any requirements currently housed at Koger
- Additional construction management support could be contracted at a cost of \$1.00 to \$2.00 per square foot
- The PSC staff is studying its ability to free up space in the CCOC Gunter / Betty Easley Buildings
- If PSC cannot provide 20,000 SF, additional conference space is available at Betty Easley that could be converted
- By having AWI at DOR it is anticipated that as AWI's need diminishes, DOR could reoccupy the space
- Shared conference rooms, break areas and a possible public hearing room are being explored at Northwood
- A contingency of 15% has been added to the implementation costs for planning, construction and relocation
- Additional contingency could further mitigate risk

Lease Provision Issues

- Ft. Knox, Koger, Northwood and Winewood do not currently contain the provision allowing the state the Right-to-Terminate if relocating to state-owned space and to date, there has not been agreement to add the language
- Each of the leases contain language in Section XVIII, Availability of Funds, which is required under s.255.2502, however Addendum A of the Koger lease also contains additional language entitled "Availability of Funds" and to date, there has not been agreement to remove the additional language from the Koger lease
- There are on-going legal issues with Koger related to utility consumption and DOE's termination of 7,000 SF

Benefits of Implementation

- Significant savings of over \$73.5 million over the remaining lease term
- Allows for consolidation of DCF operations into one location
- Allows for DMS to consolidate at CCOC
- Allows for DOS to consolidate at Northwood

Agency Comments

AHCA Comments

- AHCA supports the concept of reducing lease square footage to achieve cost savings. However, the scenarios to be considered do present a number of potential challenges:
 - Moving employees from private single offices to shared office space has the potential to impact productivity and morale.
 - The disruption of a move will compound an already challenging work environment as the Agency moves forward with implementation of Statewide Medicaid Managed Care. The significance of the increased risk cannot be fully evaluated until floor plans and office adjacencies are determined.

AWI Comments

- The concerns are the same for option 2 as identified for scenario I option 1. The moves would disrupt the Agency work environment and create a challenge. The layout of the space would also be a concern i.e. offices verses cubicles. The Agency's Unemployment Compensation Appeals section alone requires 42 offices.

The Unemployment Appeals Commission believes that a move to another facility would not be beneficial at this time. The Commission is fully funded by the Federal Unemployment Compensation Trust account. Thus, any cost savings from a move would not impact the new Agency's General Revenue funding. Moreover, as the Commission is an independent adjudicatory agency, there is no benefit to moving it to a building shared by other agencies.

The Commission has very specific time requirements to meet state and federal service requirements and a move at this time would significantly impact the ability of the Commission to meet those requirements.

- The UAC current facility, while small for the number of staff of the organization and workload demands, is configured to facilitate the timely and accurate processing of the work flow.
- The current facility also maximizes the use of space for the storage of the approximate 30,000 cases which must be available to staff for current work.
- Approximately 130 linear feet of Final Agency Orders must be maintained and available to the public for review in accordance with state law.
- The current Commission space effectively combines the space for Commission meetings with conference room space and the Commission law library where over 224 linear feet of legal reference materials are maintained for use of the Commission attorneys.
- The current facility incorporated design features to accommodate one paraplegic employee. This employee has an office that accommodates his special wheel chair and equipment to allow him to complete his work for the Commission. The facility also is designed so that he has easy access and can move throughout the office to interact with all units and personnel.
- Many employees of the Commission spend much of their day listening to hearings of unemployment compensation hearings. The offices used by these staff members must provide sufficient sound barriers to allow the listener to ensure they are correctly hearing what is said.

If it is determined that the current space should not be maintained, the Commission's second preference would be to move to Northwood as proposed in scenario 5.

This facility would provide the Commission the best opportunity to develop an efficient work area which will ensure continued accurate and effective service delivery.

- The UAC needs the ability to store up to 30,000 files for active use for the Commission to manage the appeals and court workloads.
- The UAC needs a facility for the Commission to meet in session with needed staff which can be up to 15 people.
- The Commission needs space for a law library for use of the 224 linear feet of legal reference materials as well as space to store and provide public access to 130 linear feet of Final Agency Orders.
- The Commission space must provide sufficient acoustical barriers to allow hearings to be played in multiple side by side offices where staff are required to determine if the hearing record is sufficient to support the findings and conclusions of the appeals referee.

The UAC functions as a single unit and it would not be cost effective or provide an efficient workflow to split the staff in multiple locations.

- The Commission does not consist of units that function independently.
- The UAC currently functions with an AS400 server that provides computing needs to all employees. There could be a significant cost to provide these computing services at multiple locations.

The Chairman believes the Commission needs to be located away from any unemployment compensation employees of AWI, particularly the appeals referees.

- Florida Statutes provides that the Commission is an independent review body created to review the decisions issued by the appeals referees.
- To ensure the public understands and believes the Commission is independent, the Commissioners feel the Commission staff should not be co-located with any agency UC program staff.

The Commission understands that there have been significant moisture problems with the proposed Collins Building location and is concerned that those types of conditions may adversely impact the records maintained by the Commission, particularly the permanent maintenance of the Agency Final Orders. Additionally, several of the Commission employees have significant pulmonary medical issues which could be adversely impacted.

The Commission has one employee who is a quadriplegic and the Commission must ensure there is adequate convenient access and an office large enough to accommodate his special equipment and wheel chair.

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DBPR Comments

Business and Professional Regulation is supportive of Senate Bill 2002 and the intent to save monies for the State of Florida. We have reviewed the recommendations and are offering input to balance ensuring that our business operations are not negatively impacted. The following issues/questions may be areas for additional review between the Tenant Broker, DMS and DBPR. DBPR would like to reduce our overall square footage, improve workspace and seek cost savings of \$4,494,299 over the term of our existing lease. Some issues of concern, if implemented would be as follows:

- Several of the DBPR Divisions require customer walk in areas, which would have to be taken into consideration. Renovations would have to be done to accommodate customers.
- Given current conditions, DBPR has concerns that the restrooms within the existing suites could not handle the increased staff loads. If Northwood could provide additional common restrooms, this would resolve the issue.
- Renovations would be required to existing space in order to accommodate the additional staff (i.e. additional data drops, electrical outlets, A/C units, technology infrastructure).
- While the discussions between DBPR, DMS and the tenant broker have been a good starting point, there has been insufficient time for a planned consolidation approach. If a consolidation plan within current master leases is approved, further meetings would need to be scheduled prior to implementation.
- DBPR has done a preliminary review of offices and associated FTEs to try and identify offices that utilize 47,000 square feet. In order to vacate 47,000 square feet, suites and areas listed on the attached spreadsheet have been identified. This exercise was done just to preliminarily brainstorm impact and workability. Those offices with the largest square feet, such as the General Counsel and the Call Center, have the most need for up front planning to maximize the opportunity for success with a consolidation move. The customer service and functions of the offices will require specialized planning. A one-size-fits-all approach may not work for all offices.
- DBPR would recommend that if co-location within existing offices is adopted, that additional planning is implemented to lessen productivity and morale issues as well as determine how best to utilize currently owned furniture without additional purchases.
- Sufficient parking is expected to become an issue depending on the number of additional tenants who backfill the DBPR space.

DCF Comments

- DCF leadership supports concept of collocating staff to maximize efficiency and cost savings
- Lease obligations tied to Northwood Shared Resource Center need to be removed from DCF lease and assigned to NSRC. DCF currently subleases this space to NSRC.
- Additional due diligence needs to be performed to determine if there are any DCF staff that need to remain at Northwood due to close synergy with NSRC.
- Moves would need to occur early to allow for buildout of shared services call center at Winewood for DCF

DEP Comments

- DEP is in the process of evaluating all leased space. Currently reviewing options for possible relocation of the Division of Air Resources from Magnolia Courtyard to the Bob Martinez Center. This would eliminate a private sector lease for DEP. In addition, DEP has identified approximately 5,000 square feet of excess space in the Carr Building that may be available for use by another agency.

DEM Comments

- The Division of Emergency Management is supportive of space reallocation and reducing overall costs related to space management.
- The Division has taken into consideration the requirements of the Division of Retirement for their taking all of the space on the second floor and additional space on the First Floor and this can be accommodated.
- Parking can be worked out for the Sadowski Building to include handicap spaces and there are currently enough to meet the needs.
- There is an overflow parking plan for activations.
- For classes or seminars, the use of the Easley building is the best option.
- There is space for reception and areas that can be locked for confidentiality.
- In regards to pallet lots of publications, only the shipping door can accommodate a “short pallet” not to exceed 36” wide. The frame can accommodate a full width 72” wide roll up door with modifications. There is no freight elevator in the building, but while the personnel elevators can accommodate a pallet, the other doors in the building, are not wide enough to accommodate a pallet with the exception of the two main entry glass double doors.
- The Division is also addressing several internal requirements that can be discussed at a later time.

DFS Comments

We have reviewed the two Koger Center relocation scenarios for Northwood as presented to us on 8/17/11 and 8/30/11, and for the Winewood scenario that was provided to DFS today (without floor plans or anticipated space layout). While we are in complete support of reducing our footprint and understand the criticality of creating efficiencies and reducing costs throughout all agencies, the Department of Financial Services’ mission critical functions to serve the public cannot be compromised. Listed below are some of our high level concerns related to both relocation options as presented to us:

SCENARIO 2 – Winewood (similar to Scenario 1)

- IT impacts (VoIP/network cabling requirements, facility analysis and testing that is subject to change based on construction/relocation changes, building maintenance for data center, separate infrastructure requirements for Rehabilitation & Liquidation related to insurance receiverships, unknown costs for required outside vendor assistance, unknown data center overage costs, etc.);
- Significant cost for security and surveillance requirements (internal and external doors/rooms);
- Significant COOP restructuring for multiple mission critical business areas that currently COOP to the Koger Center from 4 different building locations (91 FTE to Hartman; 43 FTE to Alexander);

DFS Comments (continued)

- Significant risk of negating anticipated savings due to potential litigation, current cost of lease obligation through October 2019 plus additional cost of lease obligation for relocation space, which could result in overall increased cost to the state;
- Insufficient space planning to meet public assistance, investigative and law enforcement accreditation requirements (interrogation rooms, evidence rooms, case file storage, public meeting rooms for Employee Assistance Office, Compliance exemptions/applications, IT storage space, etc.);
- Unknown costs associated with significant construction required to meet public accessibility standards for mission critical functions;
- Space reduction without any knowledge or review of space layout (35%) – 405 employees plus required special use space reduced from 133,414 SF to 89,139 SF cannot be confirmed to meet our agency mission critical requirements without thorough space planning;
- Separation of business area FTEs throughout the building;
- \$20.00/SF implementation cost cannot be confirmed to cover multiple unknown and potentially significant construction, security requirements, relocation, unknown expenses for furniture/modular needs, IT analysis and testing, outside vendor assistance, etc. (contingency funds may not be available for all agencies involved in this relocation);
- General facility maintenance concerns (age/maintainability of facility, HVAC, etc.).
- Unknown utility costs for Winewood (water and electric). It is our understanding that this is currently not a full service lease.

As always, the CFO is committed to doing what is best for the citizens of Florida. However, based on the current relocation scenarios as presented to us and for the high level reasons listed above, these plans have the potential of not only significant and unknown costs (reducing anticipated savings), but also negatively impacting the mission critical services that our citizens depend on. We understand the critical timing requirements you have been assigned, however a relocation of this magnitude must be thoroughly and appropriately planned. Therefore we are currently unable to agree with these approaches as presented. We will, however, be glad to continue to work closely with your teams in reviewing additional analysis and data for more clearly defined options as the data becomes available. Please feel free to contact me if additional clarifications are required.

DJJ Comments

Below is a list of questions, concerns, and agency suggestions concerning tenant broker Vertical Integration’s renegotiations and potential consolidation plans and recommendations for DJJ’s Master Lease at the Koger Center in Tallahassee:

- Winewood implementation funding is listed as \$132,836 less than that of the Northwood implementation funding yet the square footage is larger. DJJ would like a detailed list of implementation items and their associated cost to determine if the identified cost is accurate.
- Please provide a methodology for the implementation funding identified in both plans.
- Please indicate if both master leases identified in the plans are full service. If they are not please provide a summary of any services and maintenance which are not provided. If services are provided we would like a detailed breakdown of janitorial and general maintenance services provided and a schedule for such.
- Should the proposed Northwood and Winewood master leases not include full service please indicate if the cost for required services and maintenance are included in the projected annual agency cost and savings.
- Both plans list multiple shared offices. This could be a potential concern depending upon space design and confidentiality requirements.
- Is there adequate parking at each facility for all staff including reserved parking near entrances for executive staff?
- Are there diagrams available for review on each facility? Was the cost of voice and data cabling included in the implementation cost?
- Is funding for security included in implementation cost?
- Are there loading docks currently in place at each facility proposed? If not, was funding for construction of docks included in implementation funding/cost should docks be required (mail room)?
- Is additional offsite space available for storage nearby? DJJ recently canceled its lease for offsite storage space and now uses available space we have in the Koger lease. Offsite storage would be required for surplus furniture, records, files, and general materials such as supplies.

Plan one represents a forty-three percent reduction in total space. Plan two represents a twenty-three percent reduction in total space. A forty-three percent reduction in space is drastic. Therefore, we believe option one would not provide sufficient space to continue agency functions and would eventually result in the agency seeking additional space to accommodate our needs. Option two appears to provide adequate space to meet the agency’s requirements; however the layout and design of such space may require additional renovations or construction not identified in the implementation plan and cost.

DMS Comments

General

- Retirement receives up to 3,500 visitors per year. We have a need for (3) handicapped and (5) non-handicapped spaces to be reserved for Retirement in front of the building to accommodate visitors.
- What is the parking plan when the Emergency Operations Center is activated during a disaster? How will parking be affected, where is overflow parking available if not in the back of the Sadowski & SSRC buildings?
- We have a need to provide space for up to 150 people (4,500 sq. ft.) for Employer Retirement Seminars, work samples for applicants and other needs. Is space available in the Sadowski building for this purpose or is Betty Easley available for that purpose? Where is parking for that many people?
- Do the existing workstations and office furniture stay? If not, an inventory needs to be taken to determine the number of desks and/or workstations needed to accommodate this space. Also, desks need to be small enough to accommodate 2 staff in most offices. If not small enough, other furniture purchased or surplus will need to be acquired.

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DMS Comments (continued)

Director's Office

- Are conference rooms already outfitted with projection equipment?
- Are conference rooms already outfitted with conference-type telephones?

Administration Section

- Can the area available on the 1st floor near the entrance, which is the best location for counseling, be expanded another 240 sq. ft. to accommodate seating space for up to 11 visitors? This is also needed to keep visitors off the 2nd floor due to security reasons.
- Counseling requires privacy (HIPAA) - can the counseling area be walled off such that conversations cannot be overheard?
- Is there an existing security system that Retirement can share? If not, is there wiring we can use? If not, funds need to be provided for wiring and possibly new panels?
- Access to 2nd floor has to be restricted, with the elevators locked out, and the entrance doors in main hallways and all stairs secured.

Research & Education Section

- For publication deliveries, is there a freight elevator? If not, will the personnel elevators and doorways accommodate a pallet of publications
- For publication/paper/envelope deliveries, are the exterior and interior doors wide enough to accommodate a pallet of publications since double doors are needed?
- For publications, the 1st floor is a better location than the second but would require some build-out of the space identified on the 1st floor (consisting of a 30 foot wall and a door way into a hallway.)

Deloitte IT Management Services

- Is the existing network/phone cabling in the Sadowski bldg sufficient to meet Retirement's needs? Based on the walkthrough, it appears that the existing cabling will meet Retirement's needs.
- Can the fax circuits and ACD circuits be relocated to the Sadowski bldg? It appears that there is space for servers (Qty 3) either in the network closet or the small computer room on the 1st floor. Another potential option would be to use existing space in one of the other DMS buildings where the servers could go; such as room that DivTel has equipment in.
- Will we be able to utilize our existing network switching infrastructure and Firewalls at the Sadowski bldg, including bringing over our existing subnet? Based on the walk through, it appears this is viable option.
- Will we leverage existing fiber connectivity to the SSRC or do we need to order a new MFN circuit like the one currently have at Winewood? Need to discuss further with DivTel.

DOE Comments

- DOE supports the concept of collocating staff and maximize efficiency and cost savings
- The DOE staff located at the Koger Center provides services for disabled clients, DOE would not be able to relocate these staff to the Turlington Building and maintain the same service. However, the staff could be relocated to another State owned or already leased facility.

DOH Comments

SECTION 1: DIVISION OVERVIEW

- The Division of Disability Determinations (DDD) makes the determinations of medical eligibility for Florida citizens who apply for disability benefits under the federal Social Security and Supplemental Security Income programs, and the state Medically Needy program. Also conducts reviews of all beneficiaries under the federal programs and state Medically Needy to determine continuing eligibility.
- The Division of Disability Determinations has adjudicative offices in Tallahassee, Jacksonville, Orlando, Tampa, Pensacola, and Miami.
- Florida DDD is the second largest state disability determination service in the nation, processing over 8.25% of the national workload each year.
- Florida DDD is the most productive disability determination service in the region and the most productive of the biggest four in the country (CA, TX, NY, and FL) – success acknowledged by SSA in region and nationally.
- Growth: SSA gave Florida DDD budget and federal authority to hire 240 new and replacement staff in 2009, an additional 200 in 2009-10 FY, and another 80 in the current 2010-11 FY. Because of Florida's excellent performance in the region and nation, SSA is invested in and committed to ensuring that Florida has the tools it needs to continue on this course.
- Florida DDD has seen a significantly increased workload in the past few years. In FY '06-'07, DDD handled 216,723 cases. By FY '10-'11 this workload had increased to a projected 398,937 cases (an 84% increase in the SSA workload in 4 years). DDD's Medically Needy program handled 14,331 cases in FY '06-'07, and in FY '10-'11 this workload had increased to 25,727 cases (an 80% increase in Medically Needy workload).

STATUTORY AUTHORITY:

20 Code of Federal Regulations, Section 404.1503(a) / Subpart Q for title II and Part 416.903 for title XVI, to perform the determinations of medical disability on claims for Social Security disability benefits.

SECTION 2: REQUIREMENTS

- SSA must approve the move and the proposed floor plans as well as all contractors per federal regulations per SSA POMS (DI39527.025) and the Code of Federal Regulations.
- The proposed plans will conform to all SSA requirements including construction, voice, data and electrical.
- Existing SSA purchased and controlled equipment in DDD computer rooms must be accommodated in any relocation – either as part of the new DDD space or relocated to one of the existing state Primary Data Centers (PDC). Relocation to a state PDC will require an MOU between SSA and DDD's parent agency (DOH) as well as the PDC.
- (Note: SSA has requested that the SSA purchased and controlled equipment located in the DDD be exempted from the state requirement to consolidate IT equipment into one of the state PDCs.)
- Support staff must be housed together.
- Area office managers and supervisors are 'hands on' working supervisors, working closely with staff. Area office chain of command must be housed accordingly.

DOH Comments (continued)

- Modular offices, modular furniture, and associated electrical, must be disassembled at a cost of \$388,935.00.
- Modular offices and modular furniture, purchased at a price of \$648,680.74 must be moved at a cost of \$129,649.00 and stored at a cost of \$12,000 per month or \$144,000.00 per year if not used at a new location.
- New modular offices and components may be required pending floor plan layout, cost unknown at this time.
- Additional office furniture may be required, cost unknown at this time.
- IT UPS must be disconnected, moved, and reinstalled at a cost of \$14,185.00.
- To ensure continuity of operations, the Social Security Adminsitration has purchased building generators for the state disability determinations programs. DDD has four generators which must be disconnected, moved, and reinstalled at a cost of \$60,000.00.
- The generator fuel must be drained and the generators refilled at a cost of \$43,099.44.
- Federally purchased IT equipment must be disassembled, moved, and reinstalled at a cost of \$88,935.00. Additional equipment will be required for installation depending on the floorplan of the new building. At current pricing levels, the estimated costs are \$13,935.00.
- Data and phone lines must be moved and re-installed from existing location at a cost of \$90,642.00.
- New DDD location will require the move and installation of SSA provided equipment:
- Interactive Video Training devices; video conferencing equipment; and disaster recovery devices must be moved at a cost of \$12,500.00.
- Occupancy of contiguous space ensures office operations are physically separated to allow for efficient procedures and control over the work operations with each segment; individuals having frequent contact are placed near each other; and allows for an efficiently organized workflow (SSA POMS DI39527.040 and DI39527.045). The 133,000 square available in the Northwood Center would adequately meet DDD needs to for contiguous space.
- If not housed in contiguous space, additional reception/lobby areas (POMS DI39567.025), hearings/interview rooms (DI39567.040), mailroom (DI39567.035), storage rooms (DI39567.020) and IT equipment rooms will be required.
- LAN room/wiring closets (SSA-IWS/LAN specifications and DI39567.040) and training/conference rooms must be built-out in each DDD facility.
- DDD space must be self-contained to the extent possible, if located in a multi-tenant building and/or in multiple locations. Intrusion Detection Systems (IDS) must be installed in each DDD facility/floor/suite securing all doors/hallways to restrict public access (DI39567.015 and DI 39567.020). DDD is currently under contract with Simplex- Grinnell (ITB DOH10-022). At current pricing levels, the estimated cost of a new system is \$172.185.00 for contiguous square footage.
- LAN room/wiring closets must meet SSA-IWS LAN specifications and comply with SSA POMS (DI39567.040).
- Voice/data/electrical cabling must comply with SSA – IWS/LAN specifications.
- Daytime cleaning hours are required (DI39567.040).

SECTION 3: ASSUMPTIONS

- The State of Florida will underwrite the cost of the move for DDD and the Medically Needy Program at an estimated cost of \$3,345,234.00. Workload for federal fiscal year is expected to increase.
- SSA has advised it will not pay for the move. Therefore, the state of Florida will provide all required funding.
- DDD will be the sole occupant of a building with the exception of the Medically Needy Program. If DDD shares space with another tenant, additional costs will accrue for security, electrical for the generators, etc.
- The Medically Needy Program, a state and Medicaid funded program, will continue to be housed with DDD. This work unit could be located in a near by facility as it is mostly self-contained.
- The Medically Needy Program must comply with all SSA requirements.
- SSA will not fund The Medically Needy Program's move.
- Medically Needy is funded via General Revenue and Federal Grants Trust Fund with a 50/50 participation.
- The new facility will support a building generator, UPS, satellite dish and disaster recovery dish.

DOR Comments

- While further study will be required to determine the exact number of workers that could be accommodated in an independent section of Building 1 or 2, we believe that we should be able to redesign Revenue's workspaces to create a space for approximately 120 FTE. Space for 120 FTE would not be contiguous and could possibly be located on different floors and even in different buildings.
- Because of the confidential nature of Revenue's work, the new tenants' workspace would have to be separate, with no access to Revenue's workspaces. Demising walls and/or access controls would have to be created.
- The buildings were designed to house almost all employees in workstations within large open workspaces. To maximize the natural light available in the large workspaces, the private, hard-walled offices are clustered in the core of the buildings. Only 57 out of the campus's 2000 occupants have hard-walled offices (Bureau Chief and above). LEED (Leadership in Energy and Environmental Design) requirements for light penetration into the core of the building do not allow the construction of private offices on the exterior, windowed walls. For each large workspace containing approximately 55 workstations, there are one or two small team rooms, where a few employees can meet without disturbing workstation occupants. These rooms are also located in the core of the building. They can be converted to private offices as needed. Any new tenant would need to adapt to the open floor plan and workstation environment.
- All of the workstations are currently installed but any new tenant would need to purchase built in furniture for its private offices (\$2,800 each). Standard office furniture cannot be accommodated in the offices, each of which is a standard 10' x 11'.
- Revenue currently utilizes a VOIP phone system. Copper phone lines into the campus are limited. The new agency would need to either run copper lines into the buildings or switch to a VOIP system. Due to IRS confidentiality issues, the new agency would require a separate communication closet to restrict access to Revenue phone lines and equipment.
- Revenue has already consolidated data equipment to the state data centers. Any other tenant would also be required to place its equipment at a data center. There are no spaces designed for servers in the three buildings, and HVAC is only available from 8-5 M-F.
- Virtually no storage space exists on the campus. In preparing for its move to the CCOC, Revenue spent two years imaging millions of documents and surplus unneeded furniture and equipment. Any agency moving to the campus would need to prepare similarly.

**Scenario
Vacate Koger**

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DOR Comments (continued)

- In keeping with LEED requirements, copiers are prohibited on the open floors. All copiers have to be housed in the centrally located specially designed copier rooms.
- Currently there are 2,086 parking spots of which 55 are blue handicapped spots and 48 spots assigned for visitors. Total available parking spots are 1,983 for DOR's 1,962 FTEs. When factoring in vacancies, part time telecommuters and absenteeism, there is an average of 100 vacant parking spots per day. Adding more staff to the campus may require the enlargement of the parking lot.
- This campus has costs that a new tenant would need to share in:
 - private security company services for reception
 - costs for the actual security system and badges
 - costs for large conference rooms
 - mail room/delivery services
- Revenue would need to move staff within the campus to accommodate another agency. We are not funded for this activity and funds would need to be available for this task.
- As the economy improves, it is possible that the Department of Revenue may add full time permanent employees. The Department would need to be able to house any new employees in the three buildings of its CCOC campus. Revenue would likely require first rights to office space. This could result in any other agency on the CCOC campus to relocate again.

DOS Comments

We do support the concepts that include our moving from Koger and vacating the Collections area of Northwood. All of the plans we see before us work for us where they allow for the Division of Corporations to either remain at Koger or move to Northwood

DOT Comments

Staff from DMS and Vertical Integration met with DOT's facility management and leasing staff on August 30, 2011. The purpose of the meeting was for Vertical Integration to brief DOT staff on a proposal to relocate DOT staff from the Rhyne and Atkins Buildings in the Koger Center, to the Fort Knox Office complex and the Magnolia II Building (the Magnolia II Building is presently leased in part by DOT). Implementing this relocation plan would require DOT to terminate its part of the DMS master lease (81,243 square feet) prior to the November 2019 term completion. The net result of the relocation plan would be for DOT to reduce its leased space from 81,243 to 71,892 square feet.

DOT completed a review of floor plans provided by Vertical Integration of the Fort Knox facility (44,000 square feet,) as well as existing floor plans of the Magnolia II Building (27,892 square feet), and has made a conditional determination that it may be possible to vacate the Rhyne and Atkins Buildings in the Koger Center, and relocate to the Fort Knox facility and the Magnolia II Building. However, it should be emphasized our response and assessment is based upon the following assumptions and contingencies:

- DOT's assessment that the DMS/Vertical Integration relocation plan is possible is based upon floor plans provided by Vertical Integration. However, the floor plans that were provided limited our ability to complete a comprehensive review due to their not having scale information and as such have not been verified for accuracy.
- The limited evaluation period did not allow for a site visit to the Fort Knox complex to visually inspect or conduct a mechanical/electrical evaluation of the Fort Knox building. Therefore, it is unknown whether the current voice, data, fiber optic cabling, electrical, backup power, HVAC systems at the building would be sufficient to support any DOT operations relocated to the Fort Knox property.
- DOT has not conducted an architectural evaluation of interior renovations required to move staff into either the Fort Knox or Magnolia II Building. Therefore, it is unknown how renovation costs would impact future rental rates, which means actual savings associated with reducing space cannot be accurately determined.
- DOT offices currently in the Rhyne and Atkins Buildings (Business Systems Support Office, Inspector General, CADD Office, Traffic Operations Office, Permits Office, State Maintenance Office, and the Transportation Disadvantage Commission) all have unique business practices. The short response period has not allowed for input from these offices regarding the impact a possible relocation may have on their business operations.
- DOT does not have allocated budget to pay for any moving, furniture replacement or renovation costs that may be associated with implementing the proposed relocation plan. Vertical Integration has indicated it has budget (\$12.60 per square foot) in its proposal to implement the relocation plan. Our review assumes the budgeted amount of \$12.60/SF would apply to the 71,892 square feet of new space. Given the lack of information about the condition of the Fort Knox space, or the renovations required at the Magnolia II Building, there are too many unknown factors to determine if the projected budget amount would be sufficient to implement the relocation plan.
- DOT offices currently housed in the Magnolia II building (Safety/Surveying and Mapping Offices) are included in an existing plan to back-fill the Burns Building as part of an in-progress fixed capital outlay project. Offices presently in the Magnolia II Building are scheduled to relocate to the Burns Building in mid-March 2013. Consequently, the Magnolia II Building would not be available as a relocation option for staff from the Rhyne/Atkins Buildings until after mid-March 2013. This availability date does not include any additional time required to renovate the Magnolia II Building as necessary to accommodate staff relocated from the Rhyne and Atkins Buildings.
- DOT assumes that DMS will have completed a full legal analysis and vetted any liability or litigation issues associated with terminating the master lease prior to its November 2019 expiration. Terminating the lease in mid-March 2013, as proposed, would likely result in approximately \$11.4 million in unpaid DOT rents for the remaining contracted lease period of FY 13-14 through November 2019, which may open the Department/State to potential litigation by the landlord. At this time, DOT has received no legal opinion from DMS addressing the potential consequences of early termination of the master lease agreement.
- It is recommended that DMS and DOT execute a memorandum of understanding to address details concerning the plan and any associated operational issues concerning relocation and renovation costs. Additionally, it is suggested that DMS agree in the memorandum of understanding to indemnify DOT in the event DOT suffered any financial damages which may arise from any legal action by Koger as a result of early termination of the lease.

DOT Comments (continued)

- DOT whole heartedly embraces the concept of consolidation and reduction of private leased space, and has been very proactive over the years in taking steps to review and significantly reduce its real property leasing program. Since July 1999, DOT has gone from 30 leases, totaling 314,177 square feet of rented space, at a cost of \$4,781,070 annually to 9 leases, 160,344 square feet, at a cost of \$2,847,553 annually. This represents an annual costs savings of \$1.9 million, which has allowed the Department to cover the increased utility & postage costs during this time frame without seeking additional funding, as well as a 49.0 % reduction in leased space over the 12-year period.
- Additionally, DOT anticipates it will be able to achieve additional lease space reductions of 3,754 square feet annually with the expiration of a Turnpike Enterprise lease at the end of September 2011.

FWCC Comments

We appreciate the briefing you provided on Wednesday. We realize the enormity and complexity of the task. FWC is more than willing to play a role in reducing the cost of state government. Creating the most efficient office environments is one we agree can certainly reduce expenditures.

While Doc and I will work with you in every possible way, the scenario you presented on Wednesday and by email would present FWC with a number of challenges:

- The Magnolia Park space is not currently designed for an open environment that provides for the greatest utilization of space. It consists essentially, entirely of what appears to be 10 x 10 ft enclosed offices.
- There appear to be around 100 hard offices in the space. This would pre-suppose 2 FTE per office. Difficult in 100 sq feet.
- There would need to be a major renovation of that space to accommodate the FTE. When FWC moves from a standard office environment to an open environment the appropriate furniture will need to be purchased. All that being said I'm uncertain if the implementation costs are adequate.
- I do not see any allowance, in this scenario for file space, copier locations, server rooms etc.
- The program areas currently at Koger have certain special needs, to name a few:
 - Community Relations has a large space and a large investment in a recording studio for the production of public service announcements
 - Recreational Services has a requirement for space that will accommodate drafting tables for their staff who provide design work and architectural renderings for structures built on public lands for public use
 - Marine Fisheries Education Section has a large area for the production of educational material for Florida school children. They also maintain several large aquariums of salt water fish.
 - Marine Fisheries has a large fenced-in area behind the Berkeley Building to secure a large vessel, a large trailer, and several other state vehicles.
- FWC has been working with DMS and the Legislature since the inception of the Master Lease to remodel and update the Farris Bryant Building. The business case for this project exceeds the savings projected by this scenario. We would still advocate for a project to renovate and expand the useable space in the Commissioned owned Bryant Building.
- Having not seen the floor plans for the Pepper or Carr Buildings we could not offer comment regarding those spaces.
- Again, while FWC is more than willing to review our space requirements, we are concerned that this scenario would not result in a productive work environment for our staff. We would hope that every effort is made to renegotiate the Master Lease with Koger and consider the rehabilitation and remodel of the Farris Bryant Building.

PSC Comments

- The 18,809 sq. ft. suggested reduction will result in major construction. The Gunter/Easley building design has no true breakpoints at the 18,809 sq. ft. mark. Carving out 18,809 sq. ft. would result in a major overall of entire building.
- The nature of the work requires a secure building, rooms, and internal confidential procedures. The PSC regulation requires storage of documents, files, and official business filings for major cases. While construction is underway, the PSC will still need to work to support the requirements established by rule and statute. Obstruction in these processes will hold the State of Florida vulnerable and/or liable. The PSC's response to petitions, tariff filings, and the administration of company's reports are all set by rule and statute. Any downtime or late response due to your construction efforts are not excusable and will cost the State and the citizens of Florida more than the anticipated lease savings.
- Because there are not true breakpoints at 18,809 sq. ft., the cost to house staff, transfer computer support, and construction will also cost more than the anticipated lease savings. DMS would need a budget issue to cover the excess cost above our current lease obligation and PSC will need a budget issue for the anticipated increase in legal proceedings.
- The Easley/Gunter building construction cost will be significantly reduced if a 13,000 sq ft target were used as opposed to your suggested 18,809 sq ft. There is a somewhat clear breakpoint from the Gunter to the Easley building. Reducing all office space from the Easley building is roughly 13,000 sq ft. The PSC would still lease the Rooms 131, 136, 140, 148, and 170 of the Easley building. This includes the Hearing Room, Internal Affairs Room, The Office of the Public Counsel, a conference room and an office that would be used for technical support to the hearing room.
- Anticipated Construction (using 13,000 sq ft target):
 - The PSC would still need access to Gunter through the breezeway, but would need to restrict access to DMS' new tenants.
 - The PSC would have reconstruction of Gunter to house the Office of the Clerk and the Imaging and Distribution Center along with current staff in the Gunter Building. This requires shifting of staff, configuration of work spaces, installation of external entrance to the Office of the Clerk, and much more.
 - This is an Energy Star building. All construction would have to comply with those standards to maintain that status.

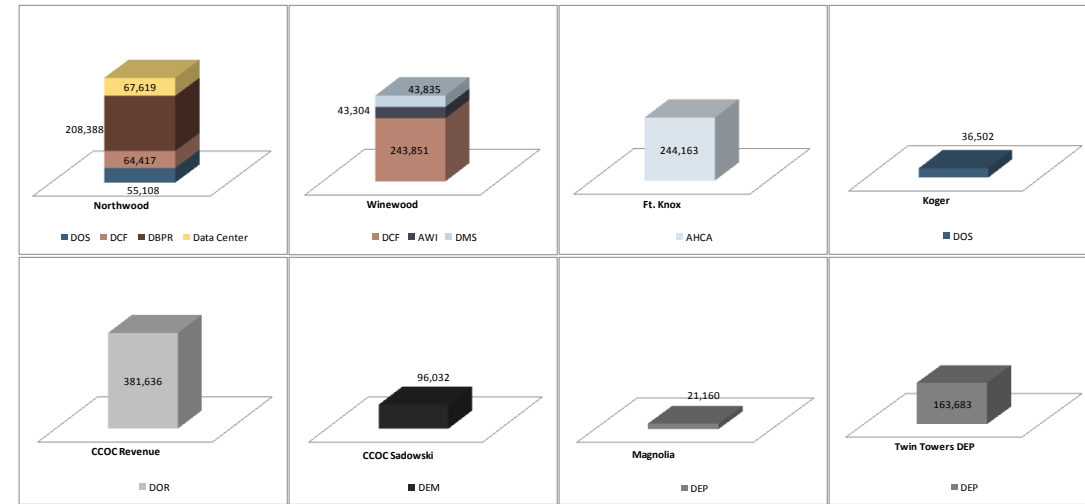
**Scenario
Vacate Northwood**

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Scenario Overview: In this scenario, all of the State agencies that are part of the master lease at Northwood Centre are relocated to existing space within the State portfolio. Ten agencies are impacted by this scenario, and the State portfolio would be reduced by over 395,532 SF through agencies reducing their portfolios by 327,913 SF and 67,619 SF of unutilized or underutilized space being leveraged. The estimated savings for this scenario is over **\$38 million**.

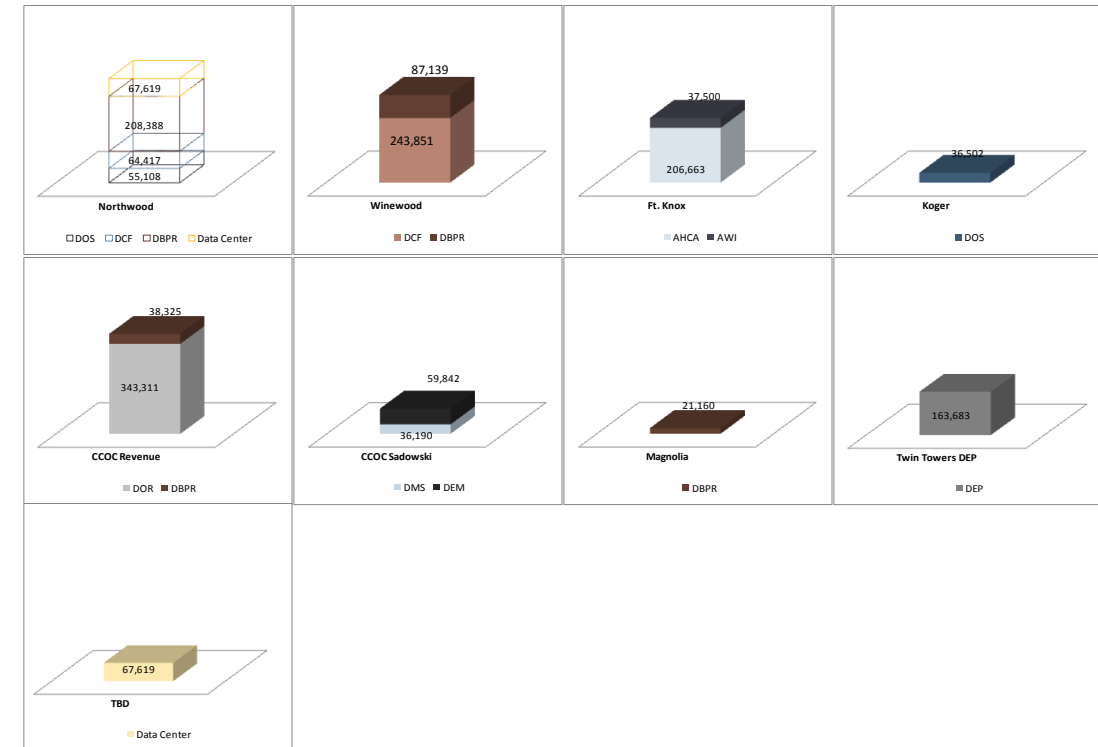
Current State - As of 7/1/2012

Agency	Current Facility	FTE	SF	Efficiency (SF/FTE)	Average Rate	Average Annual Rent	Remaining Obligation
DOS	Northwood	50	55,108	1,102	\$19.51	\$1,075,157	\$7,848,647
DOS	Koger	114	36,502	320	\$23.15	\$845,021	\$6,168,655
DCF	Northwood	278	64,417	232	\$22.22	\$1,431,346	\$10,448,824
DCF	Winewood	939	243,851	260	\$21.46	\$5,233,042	\$39,247,818
DBPR	Northwood	873	208,388	239	\$18.96	\$3,951,036	\$28,842,566
DOR	CCOC Revenue	1962	381,636	195	\$18.43	\$7,033,551	\$51,344,926
AWI	Winewood	219	43,304	198	\$21.46	\$929,304	\$6,969,779
AHCA	Ft. Knox	1100	244,163	222	\$18.98	\$4,634,214	\$35,683,446
DMS	Winewood	198	43,835	221	\$21.46	\$940,699	\$7,055,243
DEM	CCOC Sadowski	265	96,032	362	\$18.43	\$1,769,870	\$13,274,023
DEP	Magnolia DEP	93	21,160	228	\$16.72	\$353,795	\$2,582,705
DEP	Twin Towers DEP	743	163,683	220	\$18.43	\$3,016,678	\$22,021,747
Data Center	Northwood	N/A	67,619	N/A	\$22.22	\$1,502,494	\$10,968,208
Total		6,834	1,669,698			\$32,716,208	\$242,456,587



Future State - Effective 1/1/2013

Agency	Ending Facility	FTE	SF	Implementation Cost \$/SF	Efficiency (SF/FTE)	Average Rate	Average Annual Rent	Remaining Obligation
DOS	Koger, DOS-owned and warehouse	135	30,000	\$11.00	222	\$23.32	\$699,600	\$4,757,280
DOS	Koger	29	6,502	\$9.00	224	\$23.32	\$151,627	\$1,031,061
DCF	Winewood	350	70,090	\$5.00	200	\$21.60	\$1,513,944	\$10,597,608
DCF	Winewood	867	173,761	\$5.00	200	\$21.60	\$3,753,238	\$26,272,663
DBPR	CCOC Revenue	219	38,325	\$11.00	175	\$18.52	\$709,779	\$4,826,497
DBPR	Winewood AWI	262	43,304	\$8.00	165	\$21.60	\$935,366	\$6,547,565
DBPR	Winewood DMS	265	43,835	\$8.00	165	\$21.60	\$946,836	\$6,627,852
DBPR	Magnolia DEP	127	21,160	\$5.00	167	\$16.72	\$353,795	\$2,405,807
DOR	CCOC Revenue	1962	343,311	\$0.29	175	\$18.52	\$6,358,120	\$43,235,214
AWI	Ft. Knox	219	37,500	\$6.00	171	\$19.06	\$714,750	\$5,146,200
AHCA	Ft. Knox	1100	206,663	\$5.00	188	\$19.06	\$3,938,997	\$28,360,777
DMS	CCOC Sadowski	198	36,190	\$7.50	183	\$18.52	\$670,239	\$4,691,672
DEM	CCOC Sadowski	265	59,842	\$0.00	226	\$18.52	\$1,108,274	\$7,757,917
DEP	Twin Towers DEP	108	21,160	\$5.00	196	\$18.52	\$391,883	\$2,664,806
DEP	Twin Towers DEP	728	142,523	\$0.00	196	\$18.52	\$2,639,526	\$17,948,777
Data Center	TBD	N/A	67,619	\$10.35	N/A	\$22.35	\$1,511,285	\$10,276,736
Total		6,834	1,341,785				\$26,397,258	\$183,148,431



**Scenario
Vacate Northwood**

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Fiscal Impact Summary

Agency	New SF	Reduction in SF	Estimated Implementation Cost FY 11/12	Estimated Implementation Cost FY 12/13	Rent Reduction in FY 12/13	Estimated Payback Period in Years	Estimated Fiscal Impact FY 12/13	Average Annual Rent Reduction	Savings Over Term
AHCA	206,663	(37,500)	(\$309,995)	(\$723,321)	\$323,309	1.6	(\$400,012)	\$695,217	\$4,069,912
AWI	37,500	(5,804)	(\$56,250)	(\$168,750)	\$83,781	1.3	(\$84,969)	\$214,554	\$1,170,735
Data Center	67,619	0	\$0	(\$699,857)	(\$17,243)	N/A	(\$717,099)	(\$8,790)	(\$690,999)
DBPR	146,624	(61,764)	(\$320,993)	(\$903,494)	\$419,070	1.5	(\$484,424)	\$1,005,260	\$5,415,095
DCF	59,842	(36,190)	(\$365,777)	(\$853,479)	\$624,685	1.0	(\$228,793)	\$1,397,207	\$8,547,579
DEM	243,851	(64,417)	\$0	\$0	\$310,872	0.0	\$310,872	\$661,596	\$4,691,191
DEP	163,683	(21,160)	(\$31,740)	(\$74,060)	\$176,898	0.3	\$102,838	\$339,064	\$2,302,135
DMS	36,190	(7,645)	(\$90,475)	(\$180,950)	\$122,218	1.1	(\$58,732)	\$270,460	\$1,659,057
DOR	343,311	(38,325)	(\$17,166)	(\$82,395)	\$329,212	0.2	\$246,817	\$675,432	\$4,731,898
DOS	36,502	(55,108)	(\$103,004)	(\$285,514)	\$486,864	0.4	\$201,350	\$1,068,952	\$6,967,388
Subtotal	1,341,785	(327,913)	(\$1,295,399)	(\$3,971,818)	\$2,859,666	0.9	(\$1,112,152)	\$6,318,950	\$38,863,992
Planning and construction contingency			(\$194,310)	(\$595,773)					(\$790,083)
Total			(\$1,489,708)	(\$4,567,591)	\$2,859,666	1.1	(\$1,112,152)	\$6,318,950	\$38,073,910

Timeline to Achieve Savings

(Minimum 11 month Implementation Duration from Due Diligence Funding)



Scenario Assumptions

- Budget adjustments may need to be made in order to avoid penalizing those agencies with longer payback periods
- The DCF Northwood square footage assumes the Northwood Shared Resource Center (Data Center) square footage of 67,619 SF is not included and that space is documented as a separate component of the Northwood master lease
- The Data Center relocation is complex and operational issues related to its relocation are beyond the scope of this study
- Relocation issues related to the Data Center are being explored and implementation costs will likely increase
- Assumes a six month hold over the Data Center, which may result in the double rent that is reflected in implementation costs
- The rates for Koger reflect current rates being paid and do not reflect any modifications that may result from a current dispute over utility costs
- The DEP lease at Magnolia expires 3/14/2013, but for comparison purposes, the lease is shown to be coterminous with the Koger master lease
- Although planning is not yet complete, DEP intends to utilize a portion of its existing space at Twin Towers to accommodate the FTE currently at Magnolia, so no additional rent has been added
- DOS will utilize existing DOS space for a portion of the current Northwood requirement
- For comparison purposes, DOS's Northwood remaining lease obligation reflects 7.3 years to be coterminous with the Northwood master lease rather than the actual expiration of 8/31/22
- Any agency that occupies space in CCOC Revenue will need to utilize VOIP
- Additional due diligence will need to be done with DOR to determine if the 99 of the projected 219 seats can be made available to DBPR
- DCF's average rate was equalized to include \$2.70/SF for the estimated utility costs that DCF pays directly
- No implementation costs are included to make the 36,190 SF at CCOC Sadowski available given the downsize already underway at DCA
- Plans showing how the occupancy of the Winewood space would be impacted by this scenario have been shared with that landlord and to date, no negative feedback has been received

General Assumptions

- Vertical Integration has not examined the legal issues with regard to the early vacation/termination of any existing lease obligations. Nothing stated herein should be construed to render a legal opinion or legal advice or the potential financial consequences or litigation concerning early vacation/termination of any existing lease obligation.
- Additional space planning and base building due diligence (electrical, plumbing, HVAC, environmental conditions, etc.) as well as parking capacity are required to finalize implementation costs and savings estimates
- In order to achieve targeted savings, the LBC and/or Legislature would need to provide timely approval and funding for the following activities:
 - Due Diligence by 11/1/11
 - Planning by 2/1/12
 - Implementation by 4/15/12
- The cost of ongoing rent at existing facilities from 7/1/12 – 12/31/12 is included in the FY 12/13 fiscal impact numbers and overall savings
- Rent for some impacted agencies is paid from federal or trust fund dollars so not all projected savings will flow through to General Revenue
- FTE data is from July 1, 2011 projections provided by each agency. Should requirements vary from expectations, it would impact scenarios
- Implementation would be complete by December 31, 2012
- Facility/lease data was provided by DMS based on July 1, 2011 agency responses or updated information was provided directly from the agencies
- Contract administration for implementation of planning and construction will be managed through DMS rather than individual agencies
- Implementation costs do not include available funds provided by landlords as outlined under the existing Master Lease agreements
- Utilizing state funds to implement needed improvements in the master lease facilities would require statutory approval
- New lease terms proposed by Northwood Centre have not been included in the analysis
- Assumes utilization of existing furniture inventory, and if new furniture is required, it would impact implementation costs
- Should excess furniture result, additional implementation costs could be incurred for disposition
- Space was reduced to logical demising points and creation of new demised spaces was avoided, even if some additional efficiency was possible.
- Walls targeted for demolition do not go through the ceiling grid, and if a significant portion of the walls go through the ceiling grid, additional costs for implementation would be incurred
- No overtime has been budgeted
- Focus was on meeting seat count needs, and office adjacencies have not been addressed at this stage
- Lease terms are not coterminous, so in some cases the lease obligation made by an agency would be for a different term than its current commitment
- The rates for Koger reflect current rates being paid and do not reflect any potential modifications related to the current litigation which may result in increased rental rates
- The average rate of \$18.43/SF shown for DMS buildings reflects a two percent annual increase to the current state rate of \$17.18/SF
- When agencies are consolidated into a single location, the FTE's are fully accounted for, but they may be adjusted from the original location numbers to better reflect the average SF/FTE at the new location
- Prison labor may be utilized for moves
- A contingency for planning and construction costs has been added to the overall scenario cost and may impact individual agency implementation costs and savings if utilized

**Scenario
Vacate Northwood**

3 of 4

Assumptions

Scenario Challenges/Risks

- The Data Center relocation may not be feasible give the schedule and budget
- DBPR would be split into three locations

General Challenges/Risks

- The implementation schedule is compressed compared to industry best practices, and schedule delays would impact savings projections, particularly for FY 12/13
- Preliminary occupancy plans result in less-than-ideal configurations, and some employees who currently have private offices would have to share an office if implemented. When needed and feasible, FTE assigned to 100-SF private offices on the SAW were placed in larger shared offices
- Two 100-SF private offices could be converted to one 200-SF office shared by 3 FTE
- Some existing larger offices were planned for more than one FTE
- The staff levels eligible for shared offices vary per agency, but the Revenue protocol for its CCOC space was a guideline
- Ancillary/support spaces were accommodated to the extent possible, and some deficits exist as noted in agency comments
- Agency COOP plans may be impacted
- Carpet would be patched whenever feasible, rather than re-carpet
- In order to meet FY 12/13 fiscal goals, recommended improvements to spaces will have to be delayed and space will mostly be occupied in an "as is" condition even though it would be less disruptive and more cost effective to make longer term improvements prior to increasing the space density
- Construction will be required in occupied spaces, so there will be disruption to impacted agencies
- Local permitting, as well as Fire Marshal approval, may be required for some locations
- Potential litigation
- Negotiations may continue after the September 2011 report to the LBC is presented, but requested modifications to update lease language to current standards have not been agreed to by the landlords
- Should terms be agreed to by a landlord, lender approval for terms may still be problematic

Options to Mitigate Risks

- Project schedules have been developed for each scenario outlining critical path items
- Discussions are underway with the Northwood Shared Resource Center and AEIT to explore creative options
- A contingency of 15% has been added to the implementation costs for planning, construction and relocation
- Additional contingency could further mitigate risk
- Should DOR be unable to accommodate the 99 additional seats for DBPR, additional state-owned space is available

Lease Provision Issues

- Ft. Knox, Koger, Northwood and Winewood do not currently contain the provision allowing the state the Right-to-Terminate if relocating to state-owned space and to date, there has not been agreement to add the language
- Each of the leases contain language in Section XVIII, Availability of Funds, which is required under s.255.2502, however Addendum A of the Koger lease also contains additional language entitled "Availability of Funds" and to date, there has not been agreement to remove the additional language from the Koger lease
- There are on-going legal issues with Koger related to utility consumption and DOE's termination of 7,000 SF

Benefits of Implementation

- Significant savings of over \$38 million over the remaining lease term
- Allows for consolidation of DCF operations into one location
- Allows for DMS to be consolidated at CCOC
- DOR has expressed interest in co-locating with DBPR which is accomplished in this scenario

Agency Comments

AHCA Comments

AHCA supports the concept of reducing lease square footage to achieve cost savings. However, the scenarios to be considered do present a number of potential challenges:

- Moving employees from private single offices to shared office space has the potential to impact productivity and morale.
- The disruption of a move will compound an already challenging work environment as the Agency moves forward with implementation of Statewide Medicaid Managed Care. The significance of the increased risk cannot be fully evaluated until floor plans and office adjacencies are determined.

AWI Comments

The moves would disrupt the Agency work environment and create a challenge. The move would also be costly. The layout of the space would be a concern i.e. offices verses cubicles. The Agency's Unemployment Compensation Appeals section alone requires 42 offices. If we were required to build out the space, it would be a timely and a costly process.

AEIT Comments

- AEIT is supportive of this cost cutting effort.
- Additional analyses (outside of the Leon County Plan) are currently underway by AEIT to determine the need for the Northwood Shared Resource Center (NSRC).
- Its anticipated that the services handled at the NSRC can be accommodated at other locations and should the opportunity present itself to vacate Northwood prior to expiration, AEIT would support such a decision.

DBPR Comments

Business and Professional Regulation is supportive of Senate Bill 2002 and the intent to save monies for the State of Florida. We have reviewed the recommendations and are offering input to balance ensuring that our business operations are not negatively impacted. The following issues/questions may be areas for additional review between the Tenant Broker, DMS and DBPR. DBPR would like to reduce our overall square footage, improve workspace and seek cost savings of \$5,415,095 over the term of our existing lease but have concerns with relocating into the following four locations.

- CCOC - Revenue building – 38,325 square feet
- Winewood – AWI space – 43,304 square feet
- Winewood – DMS space – 43,835 square feet
- Magnolia – DEP space – 21,160 square feet

Some issues of concern, if implemented would be as follows:

- The agency's relocation into separate spaces would multiply the inefficiencies which have been minimized by being co-located. Many of the DBPR offices work closely together and interact on a routine basis. Splitting the agency into four different locations would have a negative impact on the agency. Remaining in the same location is the highest of priorities.
- DBPR receives and sends out large volumes of mail relating to its licensees. In the proposed scenario, distribution of mail would create travel burden and costs, which are currently not incurred due to co-location of staff.
- Multiple locations would increase application processing time.
- Technology costs would increase due to DBPR network infrastructure being directly connected to the Northwood Shared Resource Center.
- Technology costs would increase in the area of telecommunications as any additional locations would require additional ports, switches, etc.
- Because DBPR operates under a centralized IT structure, additional burden would be placed on Help Desk staff as the staff members would be required to travel to other locations within Tallahassee. This would increase travel costs.
- The Division of Technology supports all business areas of DBPR, and additional travel burden and costs would be associated with the numerous meetings IT staff would have to attend. This impact would also be felt in the budget, finance and accounting, facilities support and human resource areas.
- DBPR has not had the opportunity to view the four spaces being proposed or to determine who would be housed in each location. Therefore, further meetings would need to be scheduled prior to implementation.
- Whether there has been allocation of sufficient resources for such a major move raises concerns. These include minimal allocated renovation expense, the underlying assumptions of utilization of current furniture inventory, a plan to not create new space and a minimalistic work environment approach such as patching versus replacement of carpet with no mention of condition. There is also no mention of how move costs would be addressed and what happens if cost exceeds any allocation of budget.

DCF Comments

- DCF leadership supports concept of collocating staff to maximize efficiency and cost savings
- Lease obligations tied to Northwood Shared Resource Center need to be removed from DCF lease and assigned to NSRC. DCF currently subleases this space to NSRC
- Additional due diligence needs to be performed to determine if there are any DCF staff that need to remain at Northwood due to close synergy with NSRC
- Moves would need to occur early to allow for build out of shared services call center at Winewood for DCF

Scenario
Vacate Northwood

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DEP Comments

DEP is in the process of evaluating all leased space. Currently reviewing options for possible relocation of the Division of Air Resources from Magnolia Courtyard to the Bob Martinez Center. This would eliminate a private sector lease for DEP. In addition, DEP has identified approximately 5,000 square feet of excess space in the Carr Building that may be available for use by another agency.

DEM Comments

- The Division of Emergency Management is supportive of space reallocation and reducing overall costs related to space management.
- The Division has taken into consideration the requirements of the Division of Retirement for their taking all of the space on the second floor and additional space on the First Floor and this can be accommodated.
- Parking can be worked out for the Sadowski Building to include handicap spaces and there are currently enough to meet the needs.
- There is an overflow parking plan for activations,
- For classes or seminars, the use of the Easley building is the best option.
- There is space for reception and areas that can be locked for confidentiality.
- In regards to pallet lots of publications, only the shipping door can accommodate a "short pallet" not to exceed 36" wide. The frame can accommodate a full width 72" wide roll up door with modifications. There is no freight elevator in the building, but while the personnel elevators can accommodate a pallet, the other doors in the building, are not wide enough to accommodate a pallet with the exception of the two main entry glass double doors.
- The Division is also addressing several internal requirements that can be discussed at a later time.

DMS Comments

General

- Retirement receives up to 3,500 visitors per year. We have a need for (3) handicapped and (5) non-handicapped spaces to be reserved for Retirement in front of the building to accommodate visitors.
- What is the parking plan when the Emergency Operations Center is activated during a disaster? How will parking be affected, where is overflow parking available if not in the back of the Sadowski & SSRC buildings?
- We have a need to provide space for up to 150 people (4,500 sq. ft.) for Employer Retirement Seminars, work samples for applicants and other needs. Is space available in the Sadowski building for this purpose or is Betty Easley available for that purpose? Where is parking for that many people?
- Do the existing workstations and office furniture stay? If not, an inventory needs to be taken to determine the number of desks and/or workstations needed to accommodate this space. Also, desks need to be small enough to accommodate 2 staff in most offices. If not small enough, other furniture purchased or surplus will need to be acquired.

Director's Office

- Are conference rooms already outfitted with projection equipment?
- Are conference rooms already outfitted with conference-type telephones?

Administration Section

- Can the area available on the 1st floor near the entrance, which is the best location for counseling, be expanded another 240 sq. ft. to accommodate seating space for up to 11 visitors? This is also needed to keep visitors off the 2nd floor due to security reasons.
- Counseling requires privacy (HIPAA) - can the counseling area be walled off such that conversations cannot be overheard?
- Is there an existing security system that Retirement can share? If not, is there wiring we can use? If not, funds need to be provided for wiring and possibly new panels?
- Access to 2nd floor has to be restricted, with the elevators locked out, and the entrance doors in main hallways and all stairs secured.

Research & Education Section

- For publication deliveries, is there a freight elevator? If not, will the personnel elevators and doorways accommodate a pallet of publications
- For publication/paper/envelope deliveries, are the exterior and interior doors wide enough to accommodate a pallet of publications since double doors are needed?
- For publications, the 1st floor is a better location than the second but would require some build-out of the space identified on the 1st floor (consisting of a 30 foot wall and a door way into a hallway.)

Deloitte IT Management Services

- Is the existing network/phone cabling in the Sadowski bldg sufficient to meet Retirement's needs? Based on the walkthrough, it appears that the existing cabling will meet Retirement's needs.
- Can the fax circuits and ACD circuits be relocated to the Sadowski bldg? It appears that there is space for servers (Qty 3) either in the network closet or the small computer room on the 1st floor. Another potential option would be to use existing space in one of the other DMS buildings where the servers could go; such as room that DivTel has equipment in.
- Will we be able to utilize our existing network switching infrastructure and Firewalls at the Sadowski bldg, including bringing over our existing subnet? Based on the walk through, it appears this is viable option.
- Will we leverage existing fiber connectivity to the SSRC or do we need to order a new MFN circuit like the one currently have at Winewood? Need to discuss further with DivTel.

DOR Comments

- While further study will be required to determine the exact number of workers that could be accommodated in an independent section of Building 1 or 2, we believe that we should be able to redesign Revenue's workspaces to create a space for approximately 120 FTE. Space for 120 FTE would not be contiguous and could possibly be located on different floors and even in different buildings.
- Because of the confidential nature of Revenue's work, the new tenants' workspace would have to be separate, with no access to Revenue's workspaces. Demising walls and/or access controls would have to be created.
- The buildings were designed to house almost all employees in workstations within large open workspaces. To maximize the natural light available in the large workspaces, the private, hard-walled offices are clustered in the core of the buildings. Only 57 out of the campus's 2000 occupants have hard-walled offices (Bureau Chief and above). LEED (Leadership in Energy and Environmental Design) requirements for light penetration into the core of the building do not allow the construction of private offices on the exterior, windowed walls. For each large workspace containing approximately 55 workstations, there are one or two small team rooms, where a few employees can meet without disturbing workstation occupants. These rooms are also located in the core of the building. They can be converted to private offices as needed. Any new tenant would need to adapt to the open floor plan and workstation environment.
- All of the workstations are currently installed but any new tenant would need to purchase built in furniture for its private offices (\$2,800 each). Standard office furniture cannot be accommodated in the offices, each of which is a standard 10' x 11'.
- Revenue currently utilizes a VOIP phone system. Copper phone lines into the campus are limited. The new agency would need to either run copper lines into the buildings or switch to a VOIP system. Due to IRS confidentiality issues, the new agency would require a separate communication closet to restrict access to Revenue phone lines and equipment.
- Revenue has already consolidated data equipment to the state data centers. Any other tenant would also be required to place its equipment at a data center. There are no spaces designed for servers in the three buildings, and HVAC is only available from 8-5 M-F.
- Virtually no storage space exists on the campus. In preparing for its move to the CCOC, Revenue spent two years imaging millions of documents and surplus unneeded furniture and equipment. Any agency moving to the campus would need to prepare similarly.
- In keeping with LEED requirements, copiers are prohibited on the open floors. All copiers have to be housed in the centrally located specially designed copier rooms.
- Currently there are 2,086 parking spots of which 55 are blue handicapped spots and 48 spots assigned for visitors. Total available parking spots are 1,983 for DOR's 1,962 FTEs. When factoring in vacancies, part time telecommuters and absenteeism, there is an average of 100 vacant parking spots per day. Adding more staff to the campus may require the enlargement of the parking lot.
- This campus has costs that a new tenant would need to share in:
 - private security company services for reception
 - costs for the actual security system and badges
 - costs for large conference rooms
 - mail room/delivery services
- Revenue would need to move staff within the campus to accommodate another agency. We are not funded for this activity and funds would need to be available for this task.
- As the economy improves, it is possible that the Department of Revenue may add full time permanent employees. The Department would need to be able to house any new employees in the three buildings of its CCOC campus. Revenue would likely require first rights to office space. This could result in any other agency on the CCOC campus to relocate again.

DOS Comments

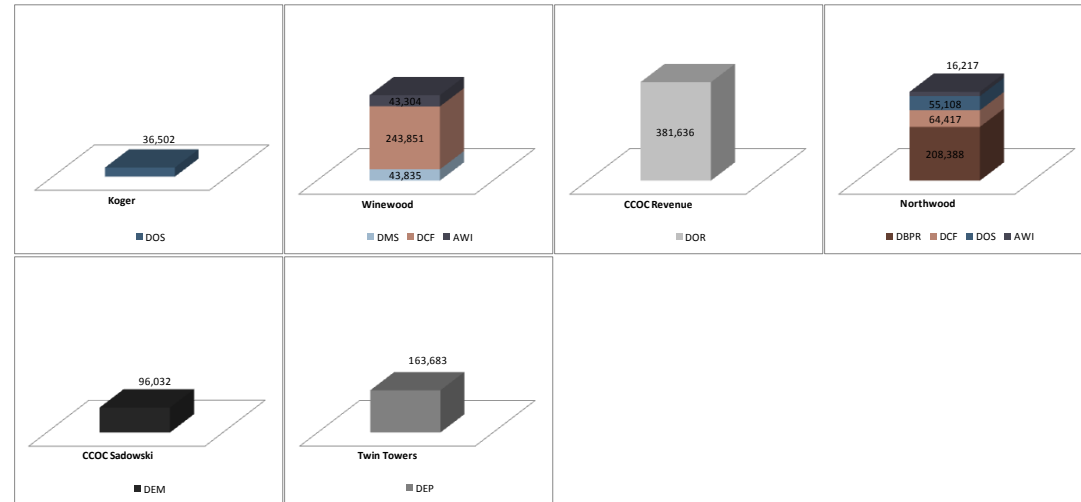
We do support the concepts that include our moving from Koger and vacating the Collections area of Northwood. All of the plans we see before us work for us where they allow for the Division of Corporations to either remain at Koger or move to Northwood

**Scenario
Vacate Winwood**
1 of 4

Scenario Overview: In this scenario, all of the State agencies that are part of the master lease at Winwood are relocated to existing space within the State portfolio. Eight agencies are impacted by this scenario, and the State portfolio would be reduced by 330,990 SF with estimated savings of over **\$44 million**.

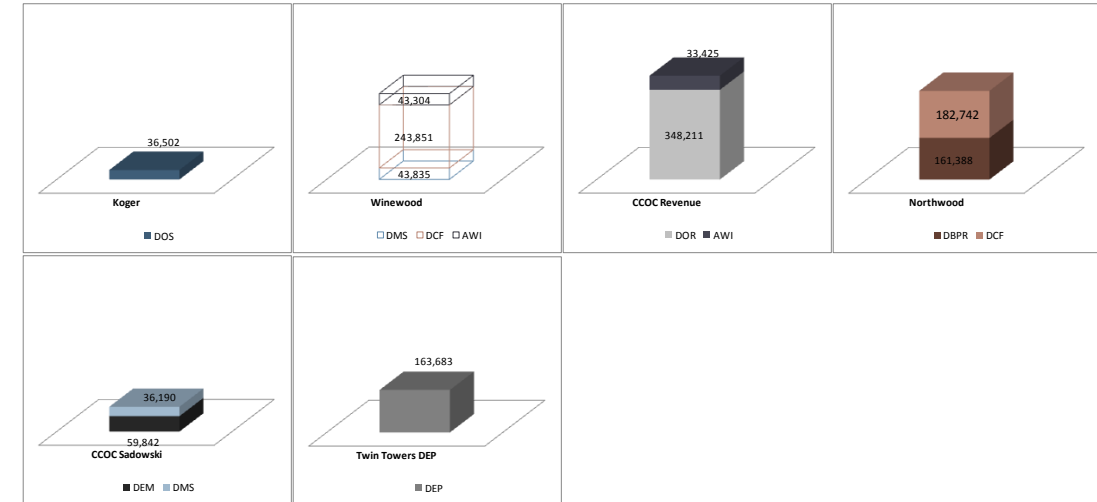
Current State - As of 7/1/2012

Agency	Current Facility	FTE	SF	Efficiency (SF/FTE)	Average Rate	Average Annual Rent	Remaining Obligation
AWI	Winwood	219	43,304	198	\$21.46	\$929,304	\$6,969,779
DOR	CCOC Revenue	1962	381,636	195	\$18.43	\$7,033,551	\$52,751,636
DCF	Winwood	939	243,851	260	\$21.46	\$5,233,042	\$39,247,818
DBPR	Northwood	873	208,388	239	\$18.96	\$3,951,036	\$28,842,566
DCF	Northwood	278	64,417	232	\$22.22	\$1,431,346	\$10,448,824
DOS	Northwood	50	55,108	1,102	\$19.51	\$1,075,157	\$7,848,647
DOS	Koger	114	36,502	320	\$23.15	\$845,021	\$6,168,655
AWI	Northwood	104	16,217	156	\$18.58	\$301,312	\$2,199,577
DEP	Magnolia DEP	93	21,160	228	\$16.72	\$353,795	\$2,582,705
DEP	Twin Towers DEP	743	163,683	220	\$18.43	\$3,016,678	\$22,021,747
DMS	Winwood	198	43,835	221	\$21.46	\$940,699	\$7,055,243
DEM	CCOC Sadowski	265	96,032	362	\$18.43	\$1,769,870	\$13,274,023
Total		5,838	1,374,133			\$26,880,812	\$199,411,221



Future State - Effective 1/1/2013

Agency	Ending Facility	FTE	SF	Implementation Cost \$/SF	Efficiency (SF/FTE)	Average Rate	Average Annual Rent	Remaining Obligation
AWI	CCOC Revenue	191	33,425	\$11.00	175	\$18.52	\$619,031	\$4,333,217
DOR	CCOC Revenue	1962	348,211	\$0.29	177	\$18.52	\$6,448,868	\$45,142,074
DCF	Northwood DCF	58	8,700	\$11.00	150	\$22.35	\$194,445	\$1,322,226
DCF	Northwood DBPR	313	47,000	\$11.00	150	\$19.08	\$896,760	\$6,097,968
DCF	Northwood AWI	108	16,217	\$11.00	150	\$18.69	\$303,096	\$2,061,051
DCF	Northwood DOS	367	55,108	\$11.00	150	\$19.95	\$1,099,405	\$7,475,951
DBPR	Northwood	873	161,388	\$10.00	185	\$19.08	\$3,079,283	\$20,939,125
DCF	Northwood	371	55,717	\$11.00	150	\$22.35	\$1,245,275	\$8,467,870
DOS	Koger, DOS-owned and warehouse	135	30,000	\$11.00	222	\$23.32	\$699,600	\$4,757,280
DOS	Koger	29	6,502	\$9.00	224	\$23.32	\$151,627	\$1,031,061
AWI	Magnolia DEP	132	21,160	\$10.00	160	\$16.72	\$353,795	\$2,405,807
DEP	Twin Towers DEP	108	21,160	\$5.00	196	\$18.52	\$391,883	\$2,664,806
DEP	Twin Towers DEP	728	142,523	\$0.00	196	\$18.52	\$2,639,526	\$17,948,777
DMS	CCOC Sadowski	198	36,190	\$7.50	183	\$18.52	\$670,239	\$4,691,672
DEM	CCOC Sadowski	265	59,842	\$0.00	226	\$18.52	\$1,108,274	\$7,757,917
Total		5,838	1,043,143				\$19,901,106	\$137,096,801



Scenario
Vacate Winewood
2 of 4

Fiscal Impact Summary

Agency	New SF	Reduction in SF	Estimated Implementation Cost FY 11/12	Estimated Implementation Cost FY 12/13	Rent Reduction in FY 12/13	Estimated Payback Period in Years	Estimated Fiscal Impact FY 12/13	Average Annual Rent Reduction	Savings Over Term
AWI	54,585	(4,936)	(\$119,750)	(\$459,525)	\$102,967	2.8	(\$356,558)	\$257,790	\$1,284,071
DBPR	161,388	(47,000)	(\$403,470)	(\$1,210,410)	\$370,207	2.2	(\$840,203)	\$871,753	\$4,494,299
DCF	59,842	(36,190)	(\$365,484)	(\$1,644,678)	\$1,339,375	0.8	(\$305,303)	\$2,925,408	\$19,201,877
DEM	182,742	(125,526)	\$0	\$0	\$310,872	0.0	\$310,872	\$661,596	\$4,691,191
DEP	0	(21,160)	(\$31,740)	(\$74,060)	\$176,898	0.3	\$102,838	\$339,064	\$2,302,135
DMS	36,190	(7,645)	(\$90,475)	(\$180,950)	\$122,218	1.1	(\$58,732)	\$270,460	\$1,659,057
DOR	348,211	(33,425)	(\$17,411)	(\$83,571)	\$287,121	0.2	\$203,550	\$584,684	\$4,230,328
DOS	36,502	(55,108)	(\$73,004)	(\$315,514)	\$486,864	0.4	\$171,350	\$1,068,952	\$6,967,388
Subtotal	879,460	(330,990)	(\$1,101,334)	(\$3,968,708)	\$3,196,521	0.8	(\$772,187)	\$6,979,706	\$44,830,345
Planning and construction contingency			(\$165,200)	(\$595,306)			(\$595,306)		(\$760,506)
Total			(\$1,266,534)	(\$4,564,014)	\$3,196,521	0.9	(\$1,367,493)	\$6,979,706	\$44,069,839

Timeline to Achieve Savings

(Minimum 11 month Implementation Duration from Due Diligence Funding)



Scenario Assumptions

- Budget adjustments may need to be made in order to avoid penalizing those agencies with longer payback periods
- The AWI lease at Northwood expires 8/30/2013, but for comparison purposes, the remaining lease obligation is shown as coterminous with the Northwood master lease
- The DOS Northwood lease expires 8/31/2022, but for comparison purposes, the remaining lease obligation has been shown as coterminous with the Northwood master lease
- DOS will utilize existing DOS space for a portion of the current Northwood requirement
- The rates for Koger reflect current rates being paid and do not reflect any modifications that may result from a current dispute over utility costs
- The DEP lease at Magnolia expires 3/14/2013, but for comparison purposes, the lease is shown to be coterminous with the Koger master lease
- Although planning is not yet complete, DEP intends to utilize a portion of its existing space at Twin Towers to accommodate the FTE currently at Magnolia, so no additional rent has been added
- Any agency that occupies space in the CCOC Revenue Building will need to utilize VOIP
- Additional due diligence will need to be done with DOR to determine if 71 of the projected 191 seats can be made available to AWI
- Effort will be made to work with Northwood Centre to create more efficient shared conferencing areas and break areas to supplement those in each agency's leased space
- DCF's Average Rate was equalized to include \$2.70/SF for the estimated utility costs that DCF pays directly
- No implementation costs are included to make the 36,190 SF at Sadowski available given the downsize already underway at DCA
- Plans showing how the occupancy of the Northwood space would be impacted by this scenario have been shared with that landlord and to date, no negative feedback has been received

General Assumptions

- Vertical Integration has not examined the legal issues with regard to the early vacation/termination of any existing lease obligations. Nothing stated herein should be construed to render a legal opinion or legal advice or the potential financial consequences or litigation concerning early vacation/termination of any existing lease obligation.
- Additional space planning and base building due diligence (electrical, plumbing, HVAC, environmental conditions, etc.) as well as parking capacity are required to finalize implementation costs and savings estimates
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- Implementation would be complete by December 31, 2012
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- Should excess furniture result, additional implementation costs could be incurred for disposition
- Space was reduced to logical demising points and creation of new demised spaces was avoided, even if some additional efficiency was possible.
- Walls targeted for demolition do not go through the ceiling grid, and if a significant portion of the walls go through the ceiling grid, additional costs for implementation would be incurred
- No overtime has been budgeted
- Focus was on meeting seat count needs, and office adjacencies have not been addressed at this stage
- Lease terms are not coterminous, so in some cases the lease obligation made by an agency would be for a different term than its current commitment
- The rates for Koger reflect current rates being paid and do not reflect any potential modifications related to the current litigation which may result in increased rental rates
- The average rate of \$18.43/SF shown for DMS buildings reflects a two percent annual increase to the current state rate of \$17.18/SF
- When agencies are consolidated into a single location, the FTE's are fully accounted for, but they may be adjusted from the original location numbers to better reflect the average SF/FTE at the new location
- Prison labor may be utilized for moves
- A contingency for planning and construction costs has been added to the overall scenario cost and may impact individual agency implementation costs and savings if utilized

**Scenario
Vacate Winewood**

3 of 4

Assumptions

Scenario Challenges/Risks

- DCF would be occupying significantly less space, and some support spaces that were duplicated in two locations would be consolidated
- DOR would be providing more seats to AWI than preferred

General Challenges/Risks

- The implementation schedule is compressed compared to industry best practices, and schedule delays would impact savings projections, particularly for FY 12/13
- Preliminary occupancy plans result in less-than-ideal configurations, and some employees who currently have private offices would have to share an office if implemented. When needed and feasible, FTE assigned to 100-SF private offices on the SAW were placed in larger shared offices
- Two 100-SF private offices could be converted to one 200-SF office shared by 3 FTE
- Some existing larger offices were planned for more than one FTE
- The staff levels eligible for shared offices vary per agency, but the Revenue protocol for its CCOC space was a guideline
- Ancillary/support spaces were accommodated to the extent possible, and some deficits exist as noted in agency comments
- Agency COOP plans may be impacted
- Carpet would be patched whenever feasible, rather than re-carpet
- In order to meet FY 12/13 fiscal goals, recommended improvements to spaces will have to be delayed and space will mostly be occupied in an "as is" condition even though it would be less disruptive and more cost effective to make longer term improvements prior to increasing the space density
- Construction will be required in occupied spaces, so there will be disruption to impacted agencies
- Local permitting, as well as Fire Marshal approval, may be required for some locations
- Potential litigation
- Negotiations may continue after the September 2011 report to the LBC is presented, but requested modifications to update lease language to current standards have not been agreed to by the landlords
- Should terms be agreed to by a landlord, lender approval for terms may still be problematic

Options to Mitigate Risks

- Project schedules have been developed for each scenario outlining critical path items
- A contingency of 15% has been added to implementation costs for planning, construction and relocation
- By having AWI at DOR, it is anticipated that as AWI's needs diminish, DOR could reoccupy the space
- Should DOR be unable to accommodate the 71 additional seats for AWI, space is available at the Records Center
- Shared conference rooms, break areas and a possible public hearing room are being explored at Northwood
- Should the available space at Northwood be insufficient for DCF, additional non-contiguous space could be made available elsewhere in the portfolio

Lease Provision Issues

- Ft. Knox, Koger, Northwood and Winewood do not currently contain the provision allowing the state the Right-to-Terminate if relocating to state-owned space and to date, there has not been agreement to add the language
- Each of the leases contain language in Section XVIII, Availability of Funds, which is required under s.255.2502, however Addendum A of the Koger lease also contains additional language entitled "Availability of Funds" and to date, there has not been agreement to remove the additional language from the Koger lease
- There are on-going legal issues with Koger related to utility consumption and DOE's termination of 7,000 SF

Benefits of Implementation

- Significant savings of over \$44 million over the remaining lease term
- Allows for consolidation of DCF operations into one location
- Allows for consolidation of DMS operations at CCOC

Agency Comments

AWI Comments

The moves would disrupt the Agency work environment and create a challenge. The move would also be costly. It is the Agency understanding that there have been significant moisture problems with the proposed Collins Building location and is concerned that those types of conditions may create health issues for the associates, which may reduce the productive of the section.

DBPR Comments

Business and Professional Regulation is supportive of Senate Bill 2002 and the intent to save monies for the State of Florida. We have reviewed the recommendations and are offering input to balance ensuring that our business operations are not negatively impacted. The following issues/questions may be areas for additional review between the Tenant Broker, DMS and DBPR. DBPR would like to reduce our overall square footage, improve workspace and seek cost savings of \$4,494,299 over the term of our existing lease.

Some issues of concern, if implemented would be as follows:

- Several of the DBPR Divisions require customer walk in areas, which would have to be taken into consideration. Renovations would have to be done to accommodate customers.
- Given current conditions, DBPR has concerns that the restrooms within the existing suites could not handle the increased staff loads. If Northwood could provide additional common restrooms, this would resolve the issue.
- Renovations would be required to existing space in order to accommodate the additional staff (i.e. additional data drops, electrical outlets, A/C units, technology infrastructure).
- While the discussions between DBPR, DMS and the tenant broker have been a good starting point, there has been insufficient time for a planned consolidation approach. If a consolidation plan within current master leases is approved, further meetings would need to be scheduled prior to implementation.
- DBPR has done a preliminary review of offices and associated FTEs to try and identify offices that utilize 47,000 square feet. In order to vacate 47,000 square feet, suites and areas listed on the attached spreadsheet have been identified. This exercise was done just to preliminarily brainstorm impact and workability. Those offices with the largest square feet, such as the General Counsel and the Call Center, have the most need for up front planning to maximize the opportunity for success with a consolidation move. The customer service and functions of the offices will require specialized planning. A one-size-fits-all approach may not work for all offices.
- DBPR would recommend that if co-location within existing offices is adopted, that additional planning is implemented to lessen productivity and morale issues as well as determine how best to utilize currently owned furniture without additional purchases.
- Sufficient parking is expected to become an issue depending on the number of additional tenants who backfill the DBPR space.

DCF Comments

- DCF leadership supports concept of collocating staff to maximize efficiency and cost savings
- Option creates undesirable (less than 150 sf/FTE) square footage to FTE ratio that may not be achievable without significant renovations
- Considerable downtime factor and cost factor for relocating Florida Abuse Hotline located at Winewood

DEP Comments

DEP is in the process of evaluating all leased space. Currently reviewing options for possible relocation of the Division of Air Resources from Magnolia Courtyard to the Bob Martinez Center. This would eliminate a private sector lease for DEP. In addition, DEP has identified approximately 5,000 square feet of excess space in the Carr Building that may be available for use by another agency.

DEM Comments

- The Division of Emergency Management is supportive of space reallocation and reducing overall costs related to space management.
- The Division has taken into consideration the requirements of the Division of Retirement for their taking all of the space on the second floor and additional space on the First Floor and this can be accommodated.
- Parking can be worked out for the Sadowski Building to include handicap spaces and there are currently enough to meet the needs.
- There is an overflow parking plan for activations,
- For classes or seminars, the use of the Easley building is the best option.
- There is space for reception and areas that can be locked for confidentiality.
- In regards to pallet lots of publications, only the shipping door can accommodate a "short pallet" not to exceed 36" wide. The frame can accommodate a full width 72" wide roll up door with modifications. There is no freight elevator in the building, but while the personnel elevators can accommodate a pallet, the other doors in the building, are not wide enough to accommodate a pallet with the exception of the two main entry glass double doors.
- The Division is also addressing several internal requirements that can be discussed at a later time.

Scenario
Vacate Winewood

4 of 4

DMS Comments

General

- Retirement receives up to 3,500 visitors per year. We have a need for (3) handicapped and (5) non-handicapped spaces to be reserved for Retirement in front of the building to accommodate visitors.
- What is the parking plan when the Emergency Operations Center is activated during a disaster? How will parking be affected, where is overflow parking available if not in the back of the Sadowski & SSRC buildings?
- We have a need to provide space for up to 150 people (4,500 sq. ft.) for Employer Retirement Seminars, work samples for applicants and other needs. Is space available in the Sadowski building for this purpose or is Betty Easley available for that purpose? Where is parking for that many people?
- Do the existing workstations and office furniture stay? If not, an inventory needs to be taken to determine the number of desks and/or workstations needed to accommodate this space. Also, desks need to be small enough to accommodate 2 staff in most offices. If not small enough, other furniture purchased or surplus will need to be acquired.

Director's Office

- Are conference rooms already outfitted with projection equipment?
- Are conference rooms already outfitted with conference-type telephones?

Administration Section

- Can the area available on the 1st floor near the entrance, which is the best location for counseling, be expanded another 240 sq. ft. to accommodate seating space for up to 11 visitors? This is also needed to keep visitors off the 2nd floor due to security reasons.
- Counseling requires privacy (HIPAA) - can the counseling area be walled off such that conversations cannot be overheard?
- Is there an existing security system that Retirement can share? If not, is there wiring we can use? If not, funds need to be provided for wiring and possibly new panels?
- Access to 2nd floor has to be restricted, with the elevators locked out, and the entrance doors in main hallways and all stairs secured.

Research & Education Section

- For publication deliveries, is there a freight elevator? If not, will the personnel elevators and doorways accommodate a pallet of publications
- For publication/paper/envelope deliveries, are the exterior and interior doors wide enough to accommodate a pallet of publications since double doors are needed?
- For publications, the 1st floor is a better location than the second but would require some build-out of the space identified on the 1st floor (consisting of a 30 foot wall and a door way into a hallway.)

Deloitte IT Management Services

- Is the existing network/phone cabling in the Sadowski bldg sufficient to meet Retirement's needs? Based on the walkthrough, it appears that the existing cabling will meet Retirement's needs.
- Can the fax circuits and ACD circuits be relocated to the Sadowski bldg? It appears that there is space for servers (Qty 3) either in the network closet or the small computer room on the 1st floor. Another potential option would be to use existing space in one of the other DMS buildings where the servers could go; such as room that DivTel has equipment in.
- Will we be able to utilize our existing network switching infrastructure and Firewalls at the Sadowski bldg, including bringing over our existing subnet? Based on the walk through, it appears this is viable option.
- Will we leverage existing fiber connectivity to the SSRC or do we need to order a new MFN circuit like the one currently have at Winewood? Need to discuss further with DivTel.

DOR Comments

- While further study will be required to determine the exact number of workers that could be accommodated in an independent section of Building 1 or 2, we believe that we should be able to redesign Revenue's workspaces to create a space for approximately 120 FTE. Space for 120 FTE would not be contiguous and could possibly be located on different floors and even in different buildings.
- Because of the confidential nature of Revenue's work, the new tenants' workspace would have to be separate, with no access to Revenue's workspaces. Demising walls and/or access controls would have to be created.
- The buildings were designed to house almost all employees in workstations within large open workspaces. To maximize the natural light available in the large workspaces, the private, hard-walled offices are clustered in the core of the buildings. Only 57 out of the campus's 2000 occupants have hard-walled offices (Bureau Chief and above). LEED (Leadership in Energy and Environmental Design) requirements for light penetration into the core of the building do not allow the construction of private offices on the exterior, windowed walls. For each large workspace containing approximately 55 workstations, there are one or two small team rooms, where a few employees can meet without disturbing workstation occupants. These rooms are also located in the core of the building. They can be converted to private offices as needed. Any new tenant would need to adapt to the open floor plan and workstation environment.
- All of the workstations are currently installed but any new tenant would need to purchase built-in furniture for its private offices (\$2,800 each). Standard office furniture cannot be accommodated in the offices, each of which is a standard 10' x 11'.
- Revenue currently utilizes a VOIP phone system. Copper phone lines into the campus are limited. The new agency would need to either run copper lines into the buildings or switch to a VOIP system. Due to IRS confidentiality issues, the new agency would require a separate communication closet to restrict access to Revenue phone lines and equipment.
- Revenue has already consolidated data equipment to the state data centers. Any other tenant would also be required to place its equipment at a data center. There are no spaces designed for servers in the three buildings, and HVAC is only available from 8-5 M-F.
- Virtually no storage space exists on the campus. In preparing for its move to the CCOC, Revenue spent two years imaging millions of documents and surplus unneeded furniture and equipment. Any agency moving to the campus would need to prepare similarly.
- In keeping with LEED requirements, copiers are prohibited on the open floors. All copiers have to be housed in the centrally located specially designed copier rooms.
- Currently there are 2,086 parking spots of which 55 are blue handicapped spots and 48 spots assigned for visitors. Total available parking spots are 1,983 for DOR's 1,962 FTEs. When factoring in vacancies, part time telecommuters and absenteeism, there is an average of 100 vacant parking spots per day. Adding more staff to the campus may require the enlargement of the parking lot.
- This campus has costs that a new tenant would need to share in:
 - private security company services for reception
 - costs for the actual security system and badges
 - costs for large conference rooms
 - mail room/delivery services
- Revenue would need to move staff within the campus to accommodate another agency. We are not funded for this activity and funds would need to be available for this task.
- As the economy improves, it is possible that the Department of Revenue may add full time permanent employees. The Department would need to be able to house any new employees in the three buildings of its CCOC campus. Revenue would likely require first rights to office space. This could result in any other agency on the CCOC campus to relocate again.

DOS Comments

We do support the concepts that include our moving from Koger and vacating the Collections area of Northwood. All of the plans we see before us work for us where they allow for the Division of Corporations to either remain at Koger or move to Northwood

Scenario
Vacate Ft. Knox
 1 of 4

Scenario Overview: In this scenario, AHCA is the only agency part of the master lease at Ft. Knox, and it is relocated to existing space within the State portfolio. Six agencies are impacted by this scenario and the State portfolio would be reduced by 244,163 SF with estimated savings of over **\$27 million**.

Current State - As of 7/1/2012

Agency	Current Facility	FTE	SF	Efficiency (SF/FTE)	Average Rate	Average Annual Rent	Remaining Obligation
AHCA	Ft. Knox	1100	244,163	222	\$18.98	\$4,634,214	\$35,683,446
DCF	Northwood	278	64,417	232	\$22.22	\$1,431,346	\$10,448,824
DCF	Winewood	939	243,851	260	\$21.46	\$5,233,042	\$39,247,818
DOS	Northwood	50	55,108	1,102	\$19.51	\$1,075,157	\$7,848,647
DOS	Koger	114	36,502	320	\$23.15	\$845,021	\$6,168,655
AWI	Northwood	104	16,217	156	\$18.58	\$301,312	\$2,199,577
DOR	CCOC Revenue	1962	381,636	195	\$18.43	\$7,033,551	\$51,344,926
DBPR	Northwood	873	208,388	239	\$18.96	\$3,951,036	\$28,842,566
Total		5,420	1,250,282			\$24,504,680	\$181,784,459

Future State - Effective 1/1/2013

Agency	Ending Facility	FTE	SF	Implementation Cost \$/SF	Efficiency (SF/FTE)	Average Rate	Average Annual Rent	Remaining Obligation
AHCA	Northwood DCF	388	64,417	\$11.00	166	\$22.35	\$1,439,720	\$9,790,096
AHCA	Northwood DOS	332	55,108	\$11.00	166	\$19.95	\$1,099,405	\$7,475,951
AHCA	Northwood AWI	97	16,217	\$11.00	167	\$18.69	\$303,096	\$2,061,051
AHCA	Northwood DBPR	283	47,000	\$11.00	166	\$19.08	\$896,760	\$6,097,968
DCF	Winewood DCF	321	64,417	\$5.00	201	\$21.60	\$1,391,407	\$9,739,850
DCF	Winewood	896	179,434	\$5.00	200	\$21.60	\$3,875,774	\$27,130,421
DOS	Koger DOS owned and warehouse	135	30,000	\$11.00	222	\$23.32	\$699,600	\$4,757,280
DOS	Koger	29	6,502	\$9.00	224	\$23.32	\$151,627	\$1,031,061
AWI	CCOC Revenue	104	16,217	\$6.00	156	\$18.52	\$300,339	\$2,042,304
DOR	CCOC Revenue	1962	365,419	\$0.27	186	\$18.52	\$6,767,560	\$46,019,407
DBPR	Northwood	873	161,388	\$10.00	185	\$19.08	\$3,079,283	\$20,939,125
Total		5,420	1,006,119				\$20,004,570	\$137,084,514

Scenario
Vacate Ft. Knox
 2 of 4

Fiscal Impact Summary

Agency	New SF	Reduction in SF	Estimated Implementation Cost FY 11/12	Estimated Implementation Cost FY 12/13	Rent Reduction in FY 12/13	Estimated Payback Period in Years	Estimated Fiscal Impact FY 12/13	Average Annual Rent Reduction	Savings Over Term
AHCA	182,742	(61,421)	(\$365,484)	(\$1,644,678)	\$499,279	2.0	(\$1,145,399)	\$895,233	\$6,028,776
AWI	16,217	0	(\$32,434)	(\$64,868)	(\$162)	N/A	(\$65,030)	\$973	(\$79,171)
DBPR	161,388	(47,000)	(\$322,776)	(\$1,291,104)	\$370,207	2.2	(\$920,897)	\$871,753	\$4,494,299
DCF	243,851	(64,417)	(\$365,777)	(\$853,479)	\$624,685	1.0	(\$228,793)	\$1,397,207	\$8,547,579
DOR	365,419	(16,217)	(\$14,617)	(\$84,046)	\$139,304	0.4	\$55,258	\$265,992	\$1,948,602
DOS	36,502	(55,108)	(\$73,004)	(\$315,514)	\$486,864	0.4	\$171,350	\$1,068,952	\$6,967,388
Subtotal	1,006,119	(244,163)	(\$1,174,091)	(\$4,253,689)	\$2,120,177	1.3	(\$2,133,512)	\$4,500,110	\$27,907,472
Planning and construction contingency			(\$176,114)	(\$638,053)			(\$638,053)		(\$814,167)
Total			(\$1,350,205)	(\$4,891,742)	\$2,120,177	1.5	(\$2,771,565)	\$4,500,110	\$27,093,305

Timeline to Achieve Savings

(Minimum 11 month Implementation Duration from Due Diligence Funding)



Scenario Assumptions

- Budget adjustments may need to be made in order to avoid penalizing those agencies with longer payback periods
- Reallocation of rent costs/savings would need to be achieved so as to not penalize AWI by over \$79,000 through the remaining term
- The AWI lease at Northwood expires 8/30/2013, but for comparison purposes the lease is shown as coterminous with the Northwood master lease
- The DOS Northwood lease expires 8/31/2022, but for comparison purposes, the expiration has been shown as coterminous with the Northwood master lease
- The rates for Koger reflect current rates being paid and do not reflect any modifications that may result from a current dispute over utility costs
- DOS will utilize existing DOS space for a portion of the current Northwood requirement
- Any agency that occupies space in the CCOC Revenue Building will need to utilize VOIP
- Effort will be made to work with Northwood Centre to create more efficient shared conferencing areas and break areas to supplement those in each agency's leased space
- DCF's Average Rate was equalized to include \$2.70/SF for the estimated utility costs that DCF pays directly
- Plans showing how the occupancy of the Northwood and Winewood spaces would be impacted by this scenario have been shared with the respective landlords and to date, no negative feedback has been received

General Assumptions

- Vertical Integration has not examined the legal issues with regard to the early vacation/termination of any existing lease obligations. Nothing stated herein should be construed to render a legal opinion or legal advice or the potential financial consequences or litigation concerning early vacation/termination of any existing lease obligation.
- Additional space planning and base building due diligence (electrical, plumbing, HVAC, environmental conditions, etc.) as well as parking capacity are required to finalize implementation costs and savings estimates
- In order to achieve targeted savings, the LBC and/or Legislature would need to provide timely approval and funding for the following activities:
 - Due Diligence by 11/1/11
 - Planning by 2/1/12
 - Implementation by 4/15/12
- The cost of ongoing rent at existing facilities from 7/1/12 – 12/31/12 is included in the FY 12/13 fiscal impact numbers and overall savings
- Rent for some impacted agencies is paid from federal or trust fund dollars so not all projected savings will flow through to General Revenue
- FTE data is from July 1, 2011 projections provided by each agency. Should requirements vary from expectations, it would impact scenarios
- Facility/lease data was provided by DMS based on July 1, 2011 agency responses or updated information was provided directly from the agencies
- Implementation would be complete by December 31, 2012
- Contract administration for implementation of planning and construction will be managed through DMS rather than individual agencies
- Implementation costs do not include available funds provided by landlords as outlined under the existing Master Lease agreements
- Utilizing state funds to implement needed improvements in the master lease facilities would require statutory approval
- New lease terms proposed by Northwood Centre have not been included in the analysis
- Assumes utilization of existing furniture inventory, and if new furniture is required, it would impact implementation costs
- Should excess furniture result, additional implementation costs could be incurred for disposition
- Space was reduced to logical demising points and creation of new demised spaces was avoided, even if some additional efficiency was possible.
- Walls targeted for demolition do not go through the ceiling grid, and if a significant portion of the walls go through the ceiling grid, additional costs for implementation would be incurred
- No overtime has been budgeted
- Focus was on meeting seat count needs, and office adjacencies have not been addressed at this stage
- Lease terms are not coterminous, so in some cases the lease obligation made by an agency would be for a different term than its current commitment
- The rates for Koger reflect current rates being paid and do not reflect any potential modifications related to the current litigation which may result in increased rental rates
- The average rate of \$18.43/SF shown for DMS buildings reflects a two percent annual increase to the current state rate of \$17.18/SF
- When agencies are consolidated into a single location, the FTE's are fully accounted for, but they may be adjusted from the original location numbers to better reflect the average SF/FTE at the new location
- Prison labor may be utilized for moves
- A contingency for planning and construction costs has been added to the overall scenario cost and may impact individual agency implementation costs and savings if utilized

Assumptions

Scenario Challenges/Risks

- Given the multiple moves required to make adequate space available for AHCA, this scenario has the longest payback period
- AWI is penalized by over \$200,000 through the remaining term
- AHCA would be occupying significantly less space, and some support spaces that were duplicated in the three buildings at Ft. Knox would need to be consolidated

General Challenges/Risks

- The implementation schedule is compressed compared to industry best practices, and schedule delays would impact savings projections, particularly for FY 12/13
- Preliminary occupancy plans result in less-than-ideal configurations, and some employees who currently have private offices would have to share an office if implemented. When needed and feasible, FTE assigned to 100-SF private offices on the SAW were placed in larger shared offices
- Two 100-SF private offices could be converted to one 200-SF office shared by three FTE
- Some existing larger offices were planned for more than one FTE
- The staff levels eligible for shared offices vary per agency, but the Revenue protocol for its CCOC space was a guideline
- Ancillary/support spaces were accommodated to the extent possible, and some deficits exist as noted in agency comments
- Agency COOP plans may be impacted
- Carpet would be patched whenever feasible, rather than re-carpet
- In order to meet FY 12/13 fiscal goals, recommended improvements to spaces will have to be delayed and space will mostly be occupied in an "as is" condition even though it would be less disruptive and more cost effective to make longer term improvements prior to increasing the space density
- Construction will be required in occupied spaces, so there will be disruption to impacted agencies
- Local permitting, as well as Fire Marshal approval, may be required for some locations
- Potential litigation
- Negotiations may continue after the September 2011 report to the LBC is presented, but requested modifications to update lease language to current standards have not been agreed to by the landlords
- Should terms be agreed to by a landlord, lender approval for terms may still be problematic

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- There are on-going legal issues with Koger related to utility consumption and DOE's termination of 7,000 SF

Benefits of Implementation

- Significant savings of over \$27 million over the remaining lease term
- It allows DCF to consolidate into one location

Agency Comments

AHCA Comments

- The Agency for Health Care Administration supports the concept of reducing leased space and has worked diligently over the past few years to reduce its lease portfolio. The Agency is currently working on implementing Statewide Medicaid Managed Care which will impact over 3 million Floridians' health care and all Medicaid providers. Requiring all staff at Ft Knox to physically relocate during this critical transition creates a significant risk and interruption to the successful transition.

AWI Comments

- The moves would be disruptive and costly.

DBPR Comments

Business and Professional Regulation is supportive of Senate Bill 2002 and the intent to save monies for the State of Florida. We have reviewed the recommendations and are offering input to balance ensuring that our business operations are not negatively impacted. The following issues/questions may be areas for additional review between the Tenant Broker, DMS and DBPR. DBPR would like to reduce our overall square footage, improve workspace and seek cost savings of \$4,494,299 over the term of our existing lease.

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- DBPR would recommend that if co-location within existing offices is adopted, that additional planning is implemented to lessen productivity and morale issues as well as determine how best to utilize currently owned furniture without additional purchases.

DCF Comments

- DCF leadership supports concept of collocating staff to maximize efficiency and cost savings
- Lease obligations tied to Northwood Shared Resource Center need to be removed from DCF lease and assigned to NSRC. DCF currently subleases this space to NSRC.
- Additional due diligence needs to be performed to determine if there are any DCF staff that need to remain at Northwood due to close synergy with NSRC.
- Moves would need to occur early to allow for build out of shared services call center at Winewood for DCF

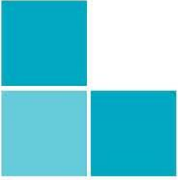
Scenario
Vacate Ft. Knox
4 of 4

DOR Comments

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- Revenue would need to move staff within the campus to accommodate another agency. We are not funded for this activity and funds would need to be available for this task.
- As the economy improves, it is possible that the Department of Revenue may add full time permanent employees. The Department would need to be able to house any new employees in the three buildings of its CCOC campus. Revenue would likely require first rights to office space. This could result in any other agency on the CCOC campus to relocate again.

DOS Comments

- We do support the concepts that include our moving from Koger and vacating the Collections area of Northwood. All of the plans we see before us work for us where they allow for the Division of Corporations to either remain at Koger or move to Northwood

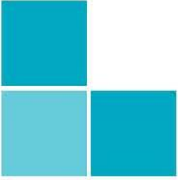


Leon County Master Plan

Should the decision be made not to vacate a master lease, the state should actively pursue a backfill strategy that would significantly enhance the utilization of the portfolio. The strategy should be two pronged. First, state-owned space in Leon County should be backfilled as quickly as possible. Second, upon the expiration of other private-sector leases, consideration should be given to adopting the approaches used in the master lease vacation scenarios, which increased densities of current occupants to allow room for new agency uses to be accommodated, thus shrinking the footprint. The following methodology should be utilized for implementation of this strategy:

- Compatible agency uses is the first criteria for consideration for moves to state-owned space and moves to excess space in master leases.
- Agencies with the greatest savings potential should be considered for relocation to state-owned space rather than waiting for their planned lease expiration if that expiration is more than six-months out.
- When considering relocations to master leases, the move could only occur upon the planned lease expiration and could not be terminated early.
- The following issues also need to be considered:
 - Those leases with considerable excess space and/or above market rates should be among the first targeted for relocation to existing space.
 - The agency's preferred geographic boundaries should be considered when identifying relocation alternatives within the portfolio.
 - Projects requiring minimal construction should be targeted.
 - Projects without special requirements for the space that would require significantly higher implementation costs should be targeted.

Preliminary analysis indicates that overall savings during the analysis period could potentially reduce occupancy costs by over \$20 million if the majority of state-owned space is fully utilized. However, the timing of such savings would not occur as rapidly as it does in the scenarios outlined in this report.



C. TRANSITION PLAN

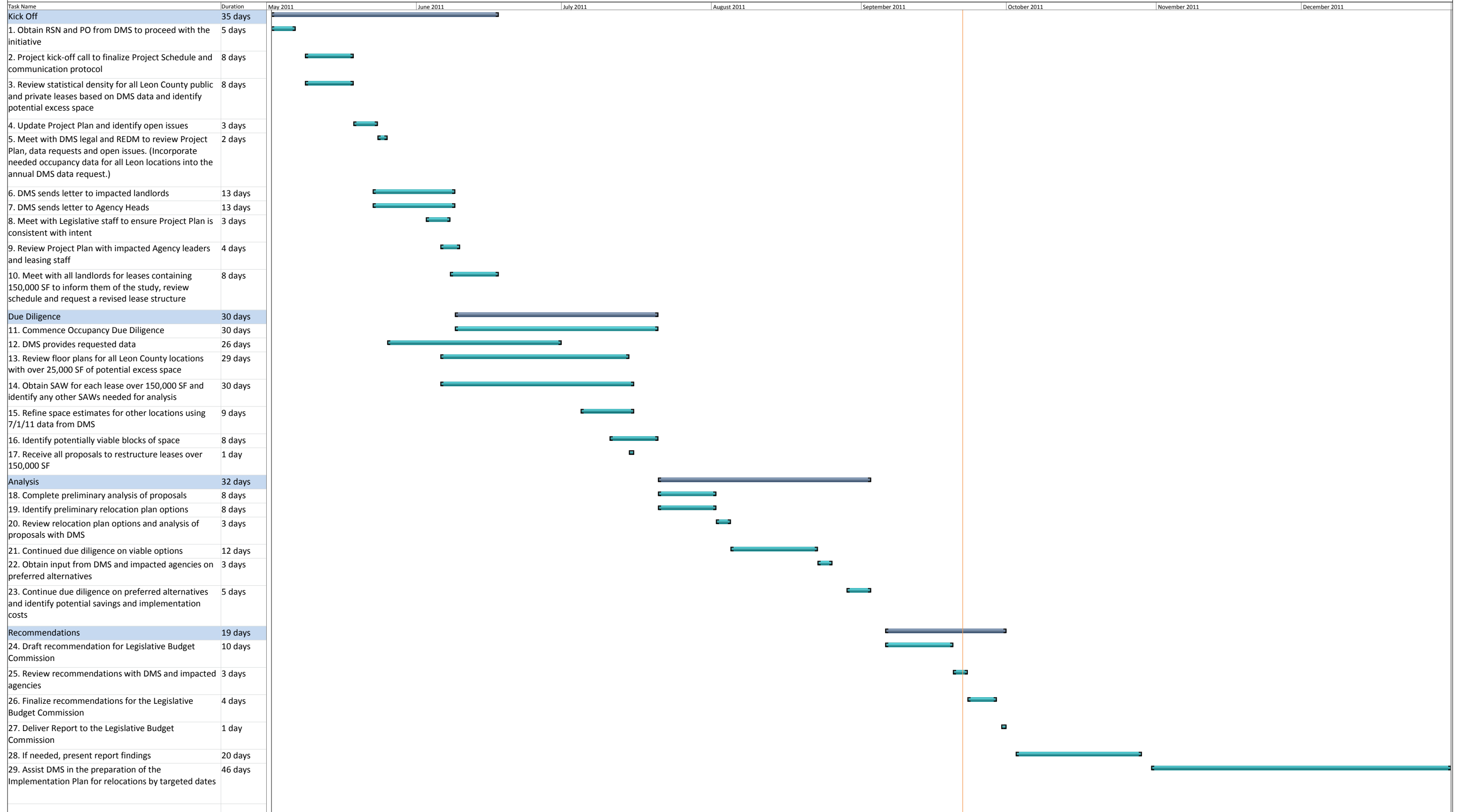
As discussed throughout this report, given the considerable variables and number of potential scenarios, full due diligence was neither feasible nor cost-effective. Pending direction from the Legislative Budget Commission, additional due diligence is required on the preferred option. That due diligence would include:

- Preliminary planning with each impacted agency to consider adjacency requirements, electrical requirements and other space needs such as public access, security, etc.
- Base building analysis to determine if each building has adequate HVAC, electrical capacity, elevator capacity, restrooms and parking
- Refined estimates of budget impacts to all affected agencies and overall impacts to the state
- A refined and more detailed schedule to complete implementation while still accommodating the legislative schedule and the need to await final legislative approval prior to commencing construction
- Discussions with the impacted landlords about needed improvements and obtaining their approval, if required, for agency build-out needs

It is important to note that this implementation plan is aggressive, but a preliminary, high-level implementation schedule as shown on Exhibit B demonstrates it is feasible. This schedule shows the decisions that would need to be made in a timely manner in order to achieve a vacation of any one of the master leases by December 31, 2012.

Should the schedule be impacted and occupancy continued in each of the master leases through the end of Fiscal Year 12/13, it is estimated that savings would be reduced by the rent for the last six months of Fiscal Year 12/13 at the master lease had it been terminated, as well as a one to two percent increase in implementation costs.

**Exhibit A
Leon County Master Plan Schedule**



**Exhibit B
Preliminary Implementation Schedule**

ID	Task Name	Duration	Start	Finish	2012											
					Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep
1	Approvals and Due Diligence	88 days	Sat 10/1/11	Tue 1/31/12	[Gantt bar from Oct to Jan]											
2	Obtain LBC approval and funding for due diligence	22 days	Sat 10/1/11	Mon 10/31/11	[Gantt bar in Oct]											
3	Due diligence	45 days	Tue 11/1/11	Sat 12/31/11	[Gantt bar from Nov to Dec]											
4	Refine budget by agency	6 days	Mon 1/2/12	Mon 1/9/12	[Gantt bar in Jan]											
5	Obtain LBC approval and funding for planning	16 days	Tue 1/10/12	Tue 1/31/12	[Gantt bar in Jan]											
6	Agency by Agency Planning and Permitting	98 days	Wed 2/1/12	Fri 6/15/12	[Gantt bar from Feb to Jun]											
7	Finalize space planning	43 days	Wed 2/1/12	Fri 3/30/12	[Gantt bar from Feb to Apr]											
8	Develop construction contracting strategy	18 days	Wed 2/1/12	Fri 2/24/12	[Gantt bar in Feb]											
9	Preliminary construction bidding	50 days	Mon 2/27/12	Fri 5/4/12	[Gantt bar from Mar to May]											
10	Agency approval of plans and budget	5 days	Mon 4/2/12	Fri 4/6/12	[Gantt bar in Apr]											
11	Prepare CDs	20 days	Mon 4/9/12	Fri 5/4/12	[Gantt bar from Apr to May]											
12	Obtain permits and Fire Marshal approval	30 days	Mon 5/7/12	Fri 6/15/12	[Gantt bar from May to Jun]											
13	Approval for Implementation	54 days	Wed 2/1/12	Sun 4/15/12	[Gantt bar from Feb to Apr]											
14	Obtain legislative approval and implementation funding	28 days	Wed 2/1/12	Fri 3/9/12	[Gantt bar from Feb to Mar]											
15	Appropriation and implementing bills become laws	26 days	Mon 3/12/12	Sun 4/15/12	[Gantt bar from Mar to Apr]											
16	Agency by Agency Implementation	171 days	Mon 5/7/12	Mon 12/31/12	[Gantt bar from May to Dec]											
17	Finalize construction bidding	41 days	Mon 5/7/12	Sat 6/30/12	[Gantt bar from May to Jun]											
18	Construction to demise excess space	74 days	Mon 7/2/12	Thu 10/11/12	[Gantt bar from Jul to Oct]											
19	Agency box move to downsize	2 days	Fri 10/12/12	Mon 10/15/12	[Gantt bar in Oct]											
20	Construction of new agency specification	45 days	Tue 10/16/12	Sun 12/16/12	[Gantt bar from Oct to Dec]											
21	New agency moves	10 days	Tue 12/18/12	Mon 12/31/12	[Gantt bar in Dec]											

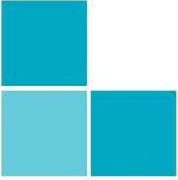


Exhibit C

Summary of the Methodology Used to Perform the Analysis

The Vertical Integration team took an integrated approach to the Leon County Master Plan Study, which included agency interaction, portfolio data analysis, site visits and input from various industry sources. The Vertical Integration team has spent over 1,600 hours on this project. It has visited all four master lease facilities, conducting more than 100 meetings and conference calls with impacted agencies, DMS staff, and master lease landlords. In all, more than 75 individuals were contacted and over 2.5 million square feet were considered as part of this study.

Communication

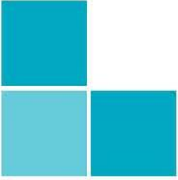
Given the magnitude of potential savings and the large number of stakeholders involved in the Leon County Master Plan project, great effort was placed on ensuring that communications were:

- Clear between impacted agencies and the implementation team so that each agency's operational needs could be addressed and optimal savings could be achieved;
- Clearly directed with the impacted landlords so that leverage is optimized and there are not any mixed signals given as to the direction being taken; and
- Appropriate with Legislative and EOG staff to ensure all project expectations are being met.

Occupancy study and landlord engagement

The first step of the strategy was to complete an occupancy study for Leon County to determine the potential excess space either owned or leased by the state in Leon County. While the occupancy study was being completed, each of the four master lease landlords were given the opportunity to propose new terms for its lease addressing various lease language that was not compliant with current state lease standards, the opportunity to shed space, and/or the opportunity to potentially reduce rental rates or other incentives.

Upon completion of the occupancy study and receipt of the limited landlord responses, the Vertical Integration team analyzed the current leases and landlord responses, and it consider each location relative to the potential occupancy scenarios including downsizing of locations that would be backfill candidates, and well as relocation plans for each agency requirement at each of the four master leases. Over 178 leases and owned locations were considered. These efforts produced a tremendous amount of information, to which the Vertical Integration team applied a systematic approach to develop alternative scenarios. While there are numerous potential scenarios to house the more than 5,700 FTE currently located at the four master lease locations, the collection of research combined with the comments and sentiments of the study participants were distilled into the most viable scenarios.



Scenario development and due diligence

With input from DMS and the impacted agencies, Vertical Integration identified scenarios and completed preliminary due diligence in order to be able to present alternatives to the Legislative Budget Commission, which were to include the following:

- The estimated fiscal impact of the scenario overall
- The estimated fiscal impact of the scenario to each impacted agency
- An implementation timeline
- Scenario specific assumptions
- General assumptions
- Benefits of implementation
- Scenario challenges and risks
- General challenges and risks
- Options to mitigate risk
- Comments from impacted agencies

Potential scenarios were reviewed with DMS and impacted agencies, and their input was factored into the on-going due diligence.

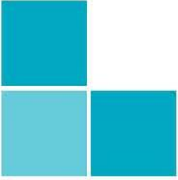
Implementation costs were estimated after completion of preliminary block plans which identified how agency seat requirements could be accommodated as shown in the Future State of each scenario. These block plans were completed to support each scenario for the majority of the large potential moves including:

Vacate Koger:

- DJJ to Winewood (2 options)
- DJJ to Northwood
- DOH to Winewood
- DOH to Sadowski
- DOT to Fort Knox
- DFS to Northwood

Vacate Northwood:

- DCF to Winewood
- DBPR to Winewood
- DBPR to Sadowski
- DBPR to Fort Knox



Vacate Winewood:

- DMS to CCOC 4040 and Sadowski
- DCF to Northwood

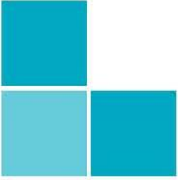
General:

- DBPR Northwood downsize
- AHCA Ft Knox downsize

Since it was not feasible to do planning for each potential agency move, there are some moves shown in the Future State for which block plans have not yet been completed for the following reasons:

- DFS at Winewood due to the late request to change locations, but planning was done for the Northwood location
- AWI at CCOC Revenue due to the open configuration of the space, focus was only on seat counts at this stage
- AWI at CCOC Gunter/Betty Easley since PSC was evaluating how to downsize its space
- AWI at Records Center since it is fairly open space that could accommodate AWI workstations
- AWI at CCOC 4040 since it was not clear which AWI group would occupy that space should it be needed
- DOR since the downsize is being evaluated by DOR staff
- DOE at Turlington since focus would be on backfilling space vacated by School Nutrition
- FWCC at Pepper since it was not clear which portion of the staff would go to that location
- FWCC at Carr DEP since DEP staff is evaluating which portion of the space would be made available
- DEP downsize at Carr since DEP staff is evaluating
- DEP relocation and downsize at Twin Towers since DEP staff is evaluating
- DOH restack at CCOC since it would be a separate planning project and preliminary information is being evaluated by DOH
- DOS Northwood to Koger/warehouse/DOS owned since planning was not needed for warehouse space and DOS staff is evaluating its owned locations
- AHCA at Northwood since it did not appear to be a cost-effective alternative

Based upon review of the completed plans, assumptions were made considering a preliminary scope of work for each component of the scenario including: preliminary planning and due diligence, space planning, construction drawings, build-out costs, and move costs. The scopes of work vary depending on whether there is a move required to a different building or whether the move is within the same building, compatibility of uses and utilization of existing furniture inventory, space demising based on operational requirements, other special use requirements, and specific agency input. These estimates were further refined through direct communication with those impacted agencies and DMS, which



provided input based on other comparable projects such as the recent move of the Department of Corrections into the Carlton Building. Furthermore, general assumptions as to how all work would be done in the most cost-effective manner possible were factored into the implementation costs. These assumptions are detailed on pages 16 through 18 of the report.

The estimated implementation costs were developed on a per-square-foot basis, and those costs are applied to the square footage into which each agency is moving, not the square footage being vacated. Further, Vertical Integration developed estimates for the portions of these costs that would impact fiscal years 2011/2012 and 2012/2013. The estimated costs allocated to FY 2011/2012 include further due diligence, planning, and development of construction drawings. The estimated costs allocated to FY 2012/2013 include build-out and move costs.

Payback periods were calculated for each of the scenarios by dividing the total implementation costs over both fiscal years 11/12 and 12/13 by the estimated annual rent reduction using FY 12/13 rent figures.

Each scenario shown in the report was reviewed with impacted agencies, and their comments were requested and included in the report.

Savings calculation

Estimated savings were calculated using the following methodology:

Current state remaining obligation

Less: Future state remaining obligation and rent between 7/1/2012 and 12/31/2012

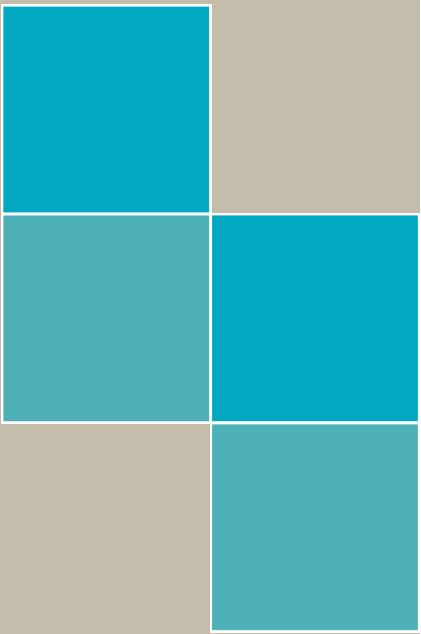
Less: Implementation costs

Less: 15% contingency on implementation costs

Equals: Total projected savings over term

No legal analysis or opinion expressed or implied.

Vertical Integration has not examined the legal issues with regard to the early vacation/termination of any existing lease obligations. Nothing stated herein should be construed to render a legal opinion or legal advice as to the potential financial consequences or litigation concerning early vacation/termination of any existing lease obligation.



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