



FLORIDA DEPARTMENT OF
MANAGEMENT SERVICES

TABLE OF CONTENTS



FL DEPARTMENT OF MANAGEMENT SERVICES (“DMS”)

I. REVIEWING ITN/QSP SUBMITTALS FOR HIDDEN COSTS

A) OPERATING EXPENSES

A) TENANT IMPROVEMENT AMORTIZATION

A) ANNUAL ESCALATIONS

II. SPACE & FURNITURE PLANNING





I. REVIEWING ITN/QSP SUBMITTALS FOR HIDDEN COSTS

ABC AGENCY NEEDS A NEW SERVICE CENTER IN SOUTHEAST FLORIDA SUBMARKET

DETAILS:

- NEW BUILD-TO-SUIT Relocation required with occupancy in 15 months
 - RSN approved for 13,500 net rentable square feet
 - FTE: 60 [225 SF per FTE]
 - Parking need is for 7:1000 or 81 spaces
 - Base Terms is 7 years with two, 3 year options
-
- Agency is rolling out a new service center workflow practice with focus on customer interaction from both computer kiosks and service desks with agency personnel. ITN specifications are revised to fit the new practices. The goal of agency is to get customers served successfully and exiting the service center to limit congestion in the waiting area and parking. Interaction with customers is consolidated into the waiting area and service counter with employees in administrative area occupying a mixture of modular units and offices.
 - The ITN calls for a ‘turnkey’ project for the specifications with all operating expenses included in the lease rate offer in ITN.
 - See following slide for the submittal for the solicited ITN for ABC Agency.



SITUATIONAL ANALYSIS cont.



SITUATIONAL ANALYSIS

ABC AGENCY ITN SUBMITTED RATES

TERM	BIDDER A: 13,500 SF	BIDDER B: 13,500 SF	BIDDER C: 13,500 SF
Base:Year 1	\$25.00	\$17.25	\$22.36
Year 2	\$25.50	\$17.77	\$23.03
Year 3	\$26.01	\$18.30	\$23.72
Year 4	\$26.53	\$18.85	\$24.43
Year 5	\$27.06	\$19.42	\$25.17
Year 6	\$27.60	\$20.00	\$25.92
Year 7	\$28.15	\$20.60	\$26.70
TOTAL BASE	\$2,509,071	\$1,784,396	\$2,312,991
Option I:Year 1	\$28.72	\$21.22	\$27.50
Year 2	\$29.29	\$21.85	\$28.32
Year 3	\$29.88	\$22.51	\$29.17
Option II:Year 1	\$30.47	\$23.18	\$30.05
Year 2	\$31.08	\$23.88	\$30.95
Year 3	\$31.71	\$24.59	\$31.88
TOTAL OPTIONS	\$2,445,541	\$1,852,597	\$2,401,395

WHICH IS THE BEST DEAL?



SITUATIONAL ANALYSIS cont.



ABC AGENCY: ITN RENTAL RATE BREAKDOWN – “ALWAYS ASK FOR DETAILS”

LEASE RATE – YR 1	Bidder A	Bidder B	Bidder C
BASE RENT	\$8.25	\$7.19	\$13.17
UTILITIES	\$3.50	\$1.00	\$6.00
JANITORIAL	\$2.50	\$1.00	\$5.00
ANNUAL TENANT IMPROVEMENT*	\$10.75	\$8.06	\$2.69
TOTAL	\$25.00	\$17.25	\$22.36
ANNUAL ESCALATIONS	2%	3%	3%
TI AMORT*	\$10.75	\$8.06	\$2.69
Total \$TI	\$60.00	\$45.00	\$15.00
# Yrs. Amort.	7.00	7.00	7.00
Int. Rt. %	6%	6%	6%

Amortization of Tenant Improvement is the annual cost of construction based on the premise That landlord funds the improvements over the entire base term (for this study) at % interest rate



SITUATIONAL ANALYSIS cont.



ABC AGENCY: ITN RENTAL RATE BREAKDOWN FOR ACCURACY AND CONSISTENCY

(Yellow-highlighted area denotes items to review in more detail)

LEASE RATE – YR 1	Bidder A	Bidder B	Bidder C
BASE RENT	\$8.25	\$10.76	\$7.84
UTILITIES	\$3.50	\$2.80	\$5.00
JANITORIAL	\$2.50	\$1.00	\$3.25
ANNUAL TENANT IMPROVEMENT*	\$10.75	\$2.69	\$6.27
TOTAL	\$25.00	\$17.25	\$22.36
ANNUAL ESCALATIONS	2.00%	3.00%	3.00%
TI AMORT*	\$10.75	\$2.69	\$6.27
Total \$TI	\$60.00	\$15.00	\$35.00
# Yrs. Amort.	7.00	7.00	7.00
Int. Rt. %	6%	6%	6%

Amortization of Tenant Improvement is the annual cost of construction based on the premise That landlord funds the improvements over the entire base term (for this study) at % interest rate





FINDINGS & RESULTS

ABC AGENCY: LEASE ANALYSIS TO FIND THE “HIDDEN” COSTS

FINDINGS FROM ANALYSIS:

- 1) Inconsistent operating expenses, i.e. utilities, janitorial
- 2) Inconsistent tenant improvement dollars, i.e. inflated, under-priced
- 3) Escalations applied to annual amortized improvement part of lease rate

RESULTS, IF NEGOTIATED:

- 1) Stability and consistency in submitted lease rates early in process could save major problems post-award when final negotiations and build-out occurs (or even after commencement when landlord cannot pay for debt, operating expenses and goes into default with debtors or vendors)
- 2) Total lease savings in both base and options years – shows fiscally responsible use of funding
- 3) Ultimately will start lease on solid “foundation” with creditable lessor – history shows these type leases have less problems and concerns in future fiscal years

PLEASE SEE NEXT SLIDE FOR COMPARISON AND EXHIBIT A FOR LEASE SAVINGS DETAILS





FINDING AND RESULTS cont.

ABC AGENCY: ITN LEASE RATE COMPARISON WITH REVISED INPUTS (highlighted)

FINDINGS AND RESULTS

LEASE RATE – YR 1	Bidder A	Bidder B	Bidder C
BASE RENT	\$8.25	\$10.76	\$7.84
UTILITIES	\$3.50	\$2.80	\$3.00
JANITORIAL	\$2.50	\$2.00	\$3.25
ANNUAL TENANT IMPROVEMENT*	\$8.06	\$7.17	\$6.27
TOTAL	\$22.31	\$22.73	\$20.36
ANNUAL ESCALATIONS (EXCLUDE TI AMORT.)	2.00%	3.00%	3.00%
TI AMORT*	\$8.06	\$7.17	\$6.27
Total \$TI	\$45.00	\$40.00	\$35.00
# Yrs. Amort.	7.00	7.00	7.00
Int. Rt. %	6%	6%	6%

Amortization of Tenant Improvement is the annual cost of construction based on the premise That landlord funds the improvements over the entire base term (for this study) at % interest rate



SITUATIONAL ANALYSIS cont.



ABC AGENCY ITN NEGOTIATED RATES

TERM	BIDDER A: 13,500 SF	BIDDER B: 13,500 SF	BIDDER C: 13,500 SF
Base:Year 1	\$22.31	\$22.73	\$20.36
Year 2	\$22.60	\$23.20	\$20.78
Year 3	\$22.89	\$23.68	\$21.22
Year 4	\$23.18	\$24.17	\$21.67
Year 5	\$23.48	\$24.68	\$22.13
Year 6	\$23.79	\$25.21	\$22.60
Year 7	\$24.11	\$25.75	\$23.09
TOTAL BASE	\$2,191,840	\$2,287,142	\$2,050,030
Option I:Year 1	\$16.37	\$19.14	\$17.33
Year 2	\$16.70	\$19.17	\$17.85
Year 3	\$17.03	\$20.30	\$18.38
Option II:Year 1	\$17.37	\$20.91	\$18.94
Year 2	\$17.72	\$21.54	\$19.50
Year 3	\$18.07	\$22.18	\$20.09
TOTAL OPTIONS	\$1,393,958	\$1,671,096	\$1,513,223

SITUATIONAL ANALYSIS

WHICH IS THE BEST DEAL NOW?





FINDINGS AND RESULTS cont.

ABC AGENCY: LEASE SAVINGS COMPARISON SNAPSHOT FOR BIDDER A

Term	Bidder A: 13,500 SF	REVISED Bidder A: 13,500 SF	DIFFERENCE (SAVINGS)	DIFFERENCE (SAVINGS) %
Base: Year 1	\$25.00	\$22.31	(\$2.69)	
Year 2	\$25.50	\$22.60	(\$2.91)	
Year 3	\$26.01	\$22.89	(\$3.12)	
Year 4	\$26.53	\$23.18	(\$3.35)	
Year 5	\$27.06	\$23.48	(\$3.58)	
Year 6	\$27.60	\$23.79	(\$3.81)	
Year 7	\$28.15	\$24.11	(\$4.05)	
TOTAL BASE	\$2,509,071	\$2,191,840	(\$317,230)	(12.64%)
Option I: Year 1	\$28.72	\$16.37	(\$12.35)	
Year 2	\$29.29	\$16.70	(\$12.60)	
Year 3	\$29.88	\$17.03	(\$12.85)	
Option II: Year 1	\$30.47	\$17.37	(\$13.10)	
Year 2	\$31.08	\$17.72	(\$13.37)	
Year 3	\$31.71	\$18.07	(\$13.63)	
TOTAL OPTIONS	\$2,445,541	\$1,393,958	\$(1,051,583)	(43.00%)

FINDINGS AND RESULTS





FINDINGS AND RESULTS cont.

ABC AGENCY: LEASE SAVINGS COMPARISON SNAPSHOT FOR BIDDER B

Term	Bidder B: 13,500 SF	REVISED Bidder B: 13,500 SF	DIFFERENCE (SAVINGS)	DIFFERENCE (SAVINGS) %
Base: Year 1	\$17.25	\$22.73	\$5.48	
Year 2	\$17.77	\$23.20	\$5.43	
Year 3	\$18.30	\$23.68	\$5.38	
Year 4	\$18.85	\$24.17	\$5.32	
Year 5	\$19.42	\$24.68	\$5.27	
Year 6	\$20.00	\$25.21	\$5.21	
Year 7	\$20.60	\$25.75	\$5.15	
TOTAL BASE	\$1,784,396	\$2,287,142	502,746	28.17%
Option I: Year 1	\$21.22	\$19.14	(\$2.08)	
Year 2	\$21.85	\$19.17	(\$2.14)	
Year 3	\$22.51	\$20.30	(\$2.21)	
Option II: Year 1	\$23.18	\$20.91	(\$2.27)	
Year 2	\$23.88	\$21.54	(\$2.34)	
Year 3	\$24.59	\$22.18	(\$2.41)	
TOTAL OPTIONS	\$1,852,597	\$1,671,096	\$(181,501)	(9.80%)

FINDINGS AND RESULTS





FINDINGS AND RESULTS cont.

ABC AGENCY: LEASE SAVINGS COMPARISON SNAPSHOT FOR BIDDER C

Term	Bidder C: 13,500 SF	REVISED Bidder C: 13,500 SF	DIFFERENCE (SAVINGS)	DIFFERENCE (SAVINGS) %
Base: Year 1	\$22.36	\$20.36	(\$2.00)	
Year 2	\$23.03	\$20.78	(\$2.25)	
Year 3	\$23.72	\$21.22	(\$2.50)	
Year 4	\$24.43	\$21.67	(\$2.77)	
Year 5	\$25.17	\$22.13	(\$3.04)	
Year 6	\$25.92	\$22.60	(\$3.32)	
Year 7	\$26.70	\$23.09	(\$3.60)	
TOTAL BASE	\$2,312,991	\$2,050,030	(262,961)	(11.37%)
Option I: Year 1	\$27.50	\$17.33	(\$10.17)	
Year 2	\$28.32	\$17.85	(\$10.48)	
Year 3	\$29.17	\$18.38	(\$10.79)	
Option II: Year 1	\$30.05	\$18.94	(\$11.11)	
Year 2	\$30.95	\$19.50	(\$11.45)	
Year 3	\$31.88	\$20.09	(\$11.79)	
TOTAL OPTIONS	\$2,401,395	\$1,513,223	\$(888,173)	(36.99%)

FINDINGS AND RESULTS





II. SPACE & FURNITURE PLANNING

WHY?

Prototype space and furniture plans are one of the best tools for achieving long-term savings for the state's real estate portfolio.

- Space planning optimizes work-flow efficiencies and allows flexibility so that an **agency can improve their operations and maximize savings when going to the real estate market to acquire new space.**
- Space planning also highlights areas in existing office/service center space that will require **upgrades and redesigns benefiting the agencies.**
- Space planning created from **Space Allocation Worksheets (SAW)** not only help to create efficiencies for agencies, they also allow for potential landlords to respond to solicitations more effectively.
- **Prototype floor plans** help to illustrate how different programs interact and make it easier to understand program and traffic flows within facilities.
- The ultimate goal of the prototype space plan is to **help create savings** through the reduction of the amount of space leased by agencies.
- **Furniture design plans** allow for agencies to upgrade and re-design furniture specifications and layouts based on new technologies and product lines.





II. SPACE & FURNITURE PLANNING

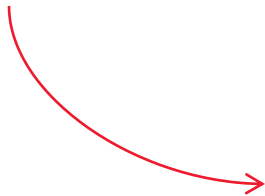
ACHIEVE SAVINGS BEFORE GOING TO MARKET

SPACE & FURNITURE PLANNING

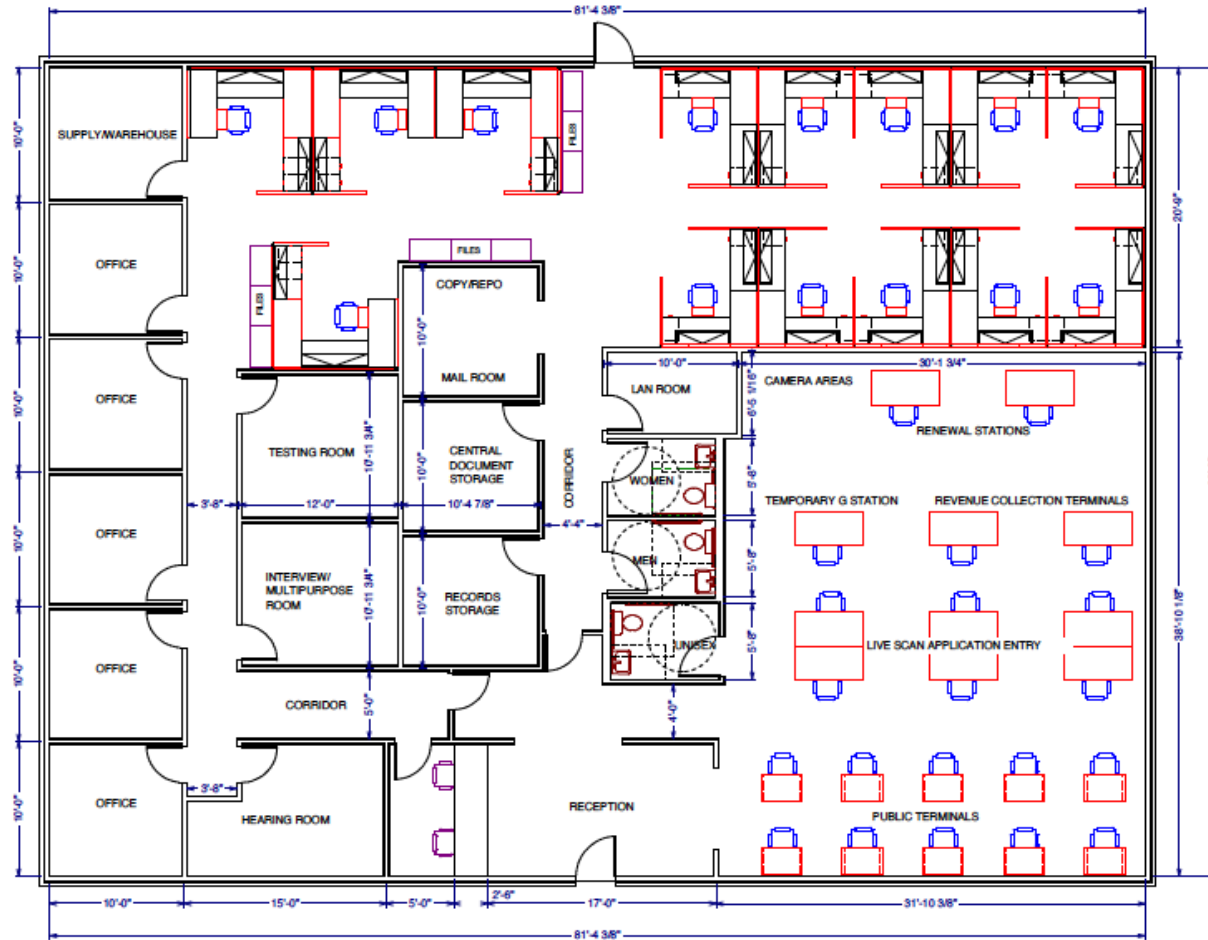
SPACE ALLOCATION
WORKSHEET (SAW):
5,500 NET RSF +/-



PROTOTYPE PLAN:
4,600 NET RSF +/-



16.4%
REDUCTION
PRE-ITN/QSP



PROTOTYPE FLOOR PLAN





II. SPACE & FURNITURE PLANNING

COST SAVINGS RESULTING FROM EFFICIENT PLANNING

Consolidation for XYZ Agency
 LEASE SAVINGS ANALYSIS
 900:000

SPACE & FURNITURE PLANNING

		YEAR								
		1	2	3	4	5	6	7	TOTAL	
EXISTING										
Lease No.	Sq. Ft.									
900:000	5,650	Rate	\$22.50	\$23.00	\$23.50	\$24.00	\$24.50	\$25.00	\$25.50	
		Annual	\$127,125.00	\$129,950.00	\$132,775.00	\$135,600.00	\$138,425.00	\$141,250.00	\$144,075.00	\$949,200.00
900:001	9,250	Rate	\$19.75	\$20.25	\$20.75	\$21.25	\$21.75	\$22.25	\$22.75	
		Annual	\$182,687.50	\$187,312.50	\$191,937.50	\$196,562.50	\$201,187.50	\$205,812.50	\$210,437.50	\$1,375,937.50
		Rate	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	
		Annual	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
									TOTAL	\$2,325,137.50
NEW										
ITN No.	Sq. Ft.									
900:002	11,920	Rate	\$23.00	\$23.75	\$24.50	\$25.25	\$26.00	\$26.75	\$27.50	
		Annual	\$274,160.00	\$283,100.00	\$292,040.00	\$300,980.00	\$309,920.00	\$318,860.00	\$327,800.00	\$2,106,860.00
									TOTAL	\$2,106,860.00
									SAVINGS	\$218,277.50





II. SPACE & FURNITURE PLANNING

SUMMARY: IMPROVE AND STANDARDIZE SPACE STANDARDS

- Work process studies should be developed from DMS Space Allocation Worksheets (SAW). These work process studies can be used to determine the **optimal space configuration** and the most efficient use of space for each agency. For example, the use of “telecommuting” in operation areas that do not require day-to-day interaction in offices can be an effective tool for reducing office space.
- Tenant Brokers, working in conjunction with DMS and agencies, should utilize the services of licensed Florida architects to examine each program and **apply industry “best practices” space standards** by position and office type.
- Other **design layout considerations** should include: Repetition of like-sized modular spaces and components; strategies for anticipating future growth or decline in number of employees; identifying buildings with structural efficiencies and fewer columns and requiring upper management to adhere to predetermined office sizes. The efficient design and placement of furniture can be as important as the space design of normal day-to-day office need.

