

COUNTY OF MILWAUKEE
INTEROFFICE COMMUNICATION

Date: October 18, 2010

To: Supervisor Michael Mayo, Chairman, Committee on Transportation, Public Works and Transit
Supervisor Elizabeth Coggs, Chair, Committee on Finance and Audit
Supervisor Peggy West, Chair, Committee on Health and Human Needs

From: Steven R. Kreklow, Fiscal & Budget Administrator
Jack Takerian, Director, Department of Transportation and Public Works

Subject: Space Reallocations

Issue

The Departments on Aging and Family Care currently occupy office space in the Henry S. Reuss Federal Plaza (Reuss). The lease for this space expires on December 31, 2010. The Departments of Administrative Services (DAS), and Transportation and Public Works (DTPW), along with a workgroup of County Board, Audit, Aging, and Family Care staff have been analyzing options for locating Aging, Family Care, and other County staff upon expiration of the lease at Reuss. The analysis has shown the most cost-effective option is to maximize utilization of existing County facilities by reallocating several departments between City Campus, the Marcia P. Coggs Human Services Center, and the Courthouse.

Background

As noted in an Audit Report from June 25, 2010, City Campus is a former hospital facility. It was purchased by the County in 1993 for \$16 million and was minimally renovated for use as an office complex. As a former hospital, most of the space is not designed for use as an office. The air-handling units are outdated and designed for hospital use (i.e. 100% of the air is brought from the outside, with no recirculation). City Campus currently has approximately 43,000 square feet of office space that is unutilized. Based on existing space utilization, and an operating cost of approximately \$1.9 million, the rate per square foot is \$19.71, far more expensive than other County-owned office facilities.

The County has continued to review its space utilization. Part of this process included the production in August 2009 of a countywide space allocation analysis (allocation analysis) by Continuum Architects & Planners, S.C. (Continuum).

As the allocation analysis was being reviewed, the Departments on Aging and Family Care began to review options for future space needs as their lease at Reuss is set to expire at the end of December 2010. Staff of the Departments of Administrative Services, County Board, and Transportation and Public Works was directed by County Board resolution to analyze the potential to relocate the departments to available space at City Campus. The analysis focused on the following alternatives:

1. Close City Campus and, leveraging the County's significant space needs, seek private office space for all affected departments (Aging, Family Care, and City Campus tenants); or,

2. Move the Departments on Aging and Family Care into County facilities, leveraging the two departments' third-party revenue sources to offset the cost of operating the facility and reduce space rental costs for levy-supported departments.

City Campus RFP

In June, a workgroup was convened to study the issue. The workgroup was made up of staff from the Department of Administrative Services, County Board, Audit, Department of Transportation and Public Works, Department on Aging, and Department of Family Care. The workgroup determined that a request for proposals (RFP) for leased office space and the sale of City Campus would provide the data necessary to analyze the issue. The RFP was issued in July with responses due within a month. The RFP requested lease rates for approximately 56,000 square feet of office space, for an initial 5-year term with two 5-year mutual renewal options, for the following departments:

- Aging
- Family Care
- DTPW-Director's Office
- DTPW-Architecture & Engineering (A&E)
- DTPW-Transportation Services
- DTPW-Real Estate Services
- County Board – Audit
- County Board – Community Development Business Partners (CDBP)

It was assumed that two other City Campus tenants, DAS-Procurement and DAS-IMSD, would be relocated into available space the Courthouse. The RFP also provided the option to purchase City Campus and lease the building back to the County for use by the above departments. The RFP required proposals to account for the special space and access needs related to the Departments on Aging and Family Care, such as reserved handicap parking, ADA accessibility, and access to a bus line. Evaluation criteria included:

- Quality of the proposal
- Experience in property management
- Financial condition of the individual or firm
- Suitability of the proposed space
- Financial advantage to the County
- Green Space or Green Design elements/systems

For the purchase of City Campus, evaluation criteria included:

- Quality of the proposal
- Experience in property development and management
- Financial condition of the individual or firm
- Feasibility of the use/redevelopment plan
- Effect of the use/redevelopment plan on the economic stability of the surrounding neighborhood
- Green Space or Green Design elements
- Financial advantage to the County

Eleven responses to the RFP were received by the deadline. The responses included a wide range of locations, rates, and other terms.

Analysis

The workgroup reviewed the responses and narrowed the list of acceptable offers to three from which best and final offers were solicited. Based on an analysis of the offers, and a comparison of potential mothball costs to close City Campus versus estimated third-party revenues that could be realized by moving Aging and Family Care into County facilities, the workgroup has determined the most cost-effective alternative is to continue to operate City Campus, based on the following major factors:

1. Lease rates for office space received from the RFP were higher than anticipated, and therefore would be higher for levy-supported or capital project-supported departments (CDBP, Audit, A&E, Transportation Services) than the City Campus lease rate.
2. No acceptable proposals were received for the sale of City Campus. Therefore, moving tenant departments to other space would require the mothballing of the facility, further eroding its value and damaging the economic base of the surrounding neighborhood.
3. The Departments on Aging and Family Care will provide approximately \$669,000 in annual lease payments for County-owned space that they will occupy. These lease payments will be funded through third-party sources (State and Federal revenues), and will more than offset any additional ongoing operating costs (mainly utilities and contracted security and housekeeping services). This, in turn, will reduce space costs for all other departments that lease space from DTPW-Facilities. The estimated total net levy savings for 2011 is approximately \$470,000 and over the five-year period from 2011 to 2015 is approximately \$2.5 million.
4. By choosing to remain at City Campus for the long term, the County can now commit to improving the facility. For instance, performance energy contracting projects that will further reduce operating costs will be pursued, and the parking lot will be resurfaced.

As a result of this analysis, several departments and divisions will be moved by the following dates:

1. DAS-Procurement has moved from City Campus into vacant Courthouse space (August 31).
2. DAS-IMSD will be consolidated at City Campus (November 15).
3. The Department on Aging will move to the Marcia P. Coggs Human Services Center (December 15).
4. The Department of Family Care will move into the third floor of the Courthouse (December 10).
5. The Housing Division of the Department of Health and Human Services will move from the Marcia P. Coggs Human Services Center to City Campus (November 5).

Because of the significant time required to move the affected staff, and the expiration of the lease at Reuss on December 31, DTPW-Facilities has begun to coordinate the moves and every effort will be made to have all staff relocated by January 1, 2011.

Recommendation

This report is informational only.

Prepared by: Josh Fudge, Fiscal and Management Analyst



Steven R. Kreklow
Fiscal & Budget Administrator



Jack Takerian
Director, Department of Transportation &
Public Works

cc: Scott Walker, County Executive
Thomas Nardelli, Chief of Staff, County Executive's Office
Cynthia Archer, Director, Department of Administrative Services
Stephen Cady, County Board Fiscal and Budget Analyst
Jerry Heer, Director of Audits, County Board Department of Audit