

City of Minneapolis
Request for Committee Action

To: Ways & Means
Date: 6/27/2016
Referral: N/A
From: Finance & Property Services
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File type: Action
Subcategory: RFP

Subject:

Strategic Real Estate Plan and Issuance of RFPs for the Downtown Campus

Description:

1. Authorizing the City Coordinator's Office and the Finance and Property Services Department to move forward with the Strategic Real Estate Plan for the Downtown Campus.
2. Authorizing the issuance of a Request for Proposals for Project Management Services.
3. Authorizing the issuance of a Request for Proposals for Program Development Services.

Previous Actions:

- On Sept. 19, 2014, the City Council authorized a contract with Jones, Lang, LaSalle (JLL) for real estate consulting and brokerage services.
 - In 1999, the City Council directed staff to stop renovating the Public Service Center and develop a long-term strategy to address the building's needs.
 - In 1999, the City formed the Facilities, Space and Asset Management (FSAM) Committee to guide strategic facility planning.
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Ward/Address:

Ward 3

Background/Analysis:

THE PROBLEM

The City's Downtown administrative offices are located in six separate buildings. It is difficult for citizens to find City departments/staff and conveniently conduct business within these different locations. In addition, the distance between staff (within and among departments) hinders coordination and effectiveness of services.

The Police Department's First Precinct and Fire Station #1 also serve the public and are located in rapidly changing and growing areas of downtown. The current service levels for public safety have outgrown their respective buildings.

City-owned buildings:

- City Hall (with Hennepin County)
- Public Service Center
- City of Lakes
- Community Services (shuttered)

- Police Department's First Precinct
- Fire Station #1

City leased spaces:

- Crown Roller Mill
- Flour Exchange
- Towle Building (in partnership with the Municipal Building Commission)

The City needs to make significant real estate investment decisions soon:

- The Public Service Center was constructed in 1957 and purchased from the State of Minnesota for \$1. Pursuant to previous Council direction in 1999, the building has had minimal improvements to date.
- The City of Lakes was constructed in 1958 and purchased by the City in 1989. The building has had minimal improvements to date.
- Community Services closed due to failing heating, ventilation and air conditioning (HVAC) systems.

The Facilities, Space and Asset Management Committee has determined that the "break-fix" real estate strategy the City currently uses is no longer viable:

- The Public Service Center and City of Lakes currently require significant improvements to the mechanical, electrical, life-safety systems. The buildings are at risk of systems failure which will require relocation of public services and a disruption to the public if they occur.
- City-owned buildings are functionally obsolete and will be costly to renovate and repair.
- Leased spaces are physically too far from City Hall, use space inefficiently, and do not provide long-term strategic solutions.

In addition, the City's buildings lack many of the characteristics of modern public buildings including:

- Passive and active security.
- Legal requirements, such as Americans with Disabilities Act design guidelines.
- Efficient design to meet today's integrated business functions and flexible work spaces.
- Green materials and systems.
- Inviting public spaces which also provide clear directions for visitors.

There is Not a Do Nothing Option

- Because of the condition of the two City-owned buildings, significant investments will need to be made in the near future. If the City plans to consolidate its space needs, any major investment in the older buildings would not be an effective use of resources.

FINDINGS FROM 2015 SPACE STUDIES

Finance and Property Services hired Jones, Lang, LaSalle (JLL) to help strategically analyze viable real estate options to meet the City's needs for the Downtown campus.

Stakeholder interviews:

JLL conducted interviews with key stakeholders within the City.

Interviewees:

- City Coordinator's Office.
- Human Resources.
- Information Technology.
- City Attorney's Office.
- Fire Department.
- Civil Rights.
- Public Works.
- City Clerk's Office.
- Regulatory Services.
- City Assessor's Office.
- Community Planning and Economic Development.
- Police Department.

Top themes for improvement:

Space:

- The buildings are not in satisfactory condition and need to be addressed.
- Space does not foster collaboration or the ability to make efficient decisions; audio-visual capabilities require improvement.
- Space is inflexible; no availability of large multipurpose conference room for public meetings.
- While the City Hall building is historic, people feel shoe-horned (a term was used by several interviewees).
- Staff time is wasted going to and from meetings in different buildings.

Organization:

- Space does not foster a sense of community (this was the most common message).
- Organizationally, our current facilities and leased spaces do not support a matrix management model of service delivery.

Culture:

- Brand, culture and a "public face" are not well articulated. There is no way-finding help for the public.
- The space fosters organizational silos.
- Change has been difficult: decisions take a long time, leaders change and there is no change agent.
- It's time to be strategic: these buildings have not been planned as a cohesive footprint.
- We do not have a place to foster a sense of community with our coworkers or the public.
- Employee hiring and retention are key.

Overall observations:

- High alignment on overall strategy to consolidate.
- High buy-in to explore various scenarios.
- Commitment to the success of the city and connection to the public.
- Efficiency and cost-focused leadership.
- Commitment to create flexibility and agility in the workforce.

- No evidence of protecting function or facility, although some acknowledged separate buildings create silos.
- Willingness to lead change in their own organizations (and for “one city”).
- Desire to change culture (culture wants to be more collaborative and space could help).

The JLL Study and subsequent discussions have also highlighted several additional factors:

- The City’s real estate strategy will affect how we serve the public and our ability to recruit and retain employees now and in the future.
- Fire station #1 is outdated and needs to be replaced. Relocation of these services will free up a large surface lot adjacent to the facility for redevelopment.
- The First Precinct is out of space given high demands of this facility. Some of staff and services of the First Precinct could be relocated to a Downtown Campus facility.
- To best meet the City’s needs, public safety functions (with the exception of Police Administration) should be moved out of City Hall and housed in a separate public safety facility or a separate section of a new or renovated building. Departments or divisions with a need to work closely with those in City Hall (several Finance divisions, for example) can then be moved into the City Hall building.

2015 Workplace Survey:

On Feb. 11, 2015, an online Workplace Experience Survey was sent to 1,286 City employees who work Downtown. The survey closed with a 35-percent response rate (454 respondents).

Summary of responses:

- About half the respondents in City-owned buildings are dissatisfied with their current work environment.
- Less than half of respondents in City Hall, City of Lakes and Flour Exchange believe the work environment allows for the most effective use of time.
- Less than a third of respondents in City Hall, City of Lakes, Flour Exchange and the Public Service Center believe their work environment is better than other organizations.

Items outlined for improvement:

- More comfortable and attractive work environment (air temperature and quality, furniture, space)
- Improved natural lighting.
- Better floor-plan layout.
- Open spaces that foster collaboration.
- Having a quiet, more private work area.

WHERE WE ARE TODAY

Executive Steering Committee

The Facilities, Space and Asset Management Committee partnered with representatives of the City Council and Mayor’s Office to form an Executive Steering Committee. Beginning in October of 2014, the Executive Steering Committee has been working on a recommended plan with JLL to meet the City’s needs.

Strategic real estate options

The Executive Steering Committee evaluated several scenarios that would consolidate office space and move Public Safety functions out of City Hall, including:

Combined facility scenario: City Hall + a combined public safety/Public Service Center building with separate entrances for the public safety and Public Service Center components.

Separate facilities scenario: City Hall + a separate public safety facility + a separate Public Service Center facility.

Options reviewed include:

- Leasable third-party multi-tenant buildings (five reviewed).
- Buildings for sale (four reviewed).
- Developer-controlled sites (two reviewed).
- City-owned property that could be used for redevelopment (two reviewed).

Approximately 150,000 usable square feet is needed outside of City Hall to house the departments that have the highest interaction with the public (both transactional and collaboratively). An additional 100,000 usable square feet will be needed for public safety.

Any real estate scenario chosen must meet previously identified goals and objectives. Many existing options explored have significant limitations or ability to meet the square footage needs or primary goals of an improved employee workspace and improved public experience while maintaining a cost-effective approach that aligns with the needs of the City.

Executive Steering Committee Recommendation (generally called the Strategic Real Estate Plan for the Downtown Campus)

The committee recommends the **Combined facilities scenario**, building on the City-owned parking facility site at 415 5th Street South.

Advantages:

- Ownership control.
- Fewer moves for departments.
- On the current skyway/tunnel.
- Improved public interaction.
- Branding opportunity.
- Modern workplace strategy.
- Flexibility of Usable Square Footage built.
- Improved functional adjacencies.
- Sales proceeds from Public Service Center and City of Lakes buildings.
- Compatible with neighboring buildings.
- Has potential to include Fire Station #1.
- Frees up property for private ownership and development.

Disadvantages:

- Potential net loss of parking revenue.
- Indirect Skyway/Tunnel walking path to City Hall.
- Limited views into central business district

Next Steps

The Executive Committee further recommends that the City Council authorize staff to issue Requests for Proposals for Project Management and Program Development Services. These service providers will assist the City in moving this project forward in a timely and transparent manner that will assist the City in making informed decisions.

City staff will also be undertaking a number of analyses including the following:

1. Parking needs analysis to determine the impact of a net loss of the City owned parking spaces.
2. Refined revenue impact analysis which compares the potential net loss of parking revenues to the increased property taxes from sale and potential redevelopment of the Public Service Center, City of Lakes, and Fire Station #1 properties.

Financial Review:

No additional appropriation required, amount included in current budget.

Funding for professional services is adequate for 2016. Additional funding will be needed for 2017 and will be included in the 2017 budget process.

Future budget impact anticipated.

Project Financing (capital and operating) will be determined at the end of the Program Development.

Approved by the Permanent Review Committee.

The Permanent Review Committee will review and approve the Request for Proposals documents prior to issuance.

Meets Small and Underutilized Business Program goals.

Small and Underutilized Business Program goals will be included in the Request for Proposals documents.