

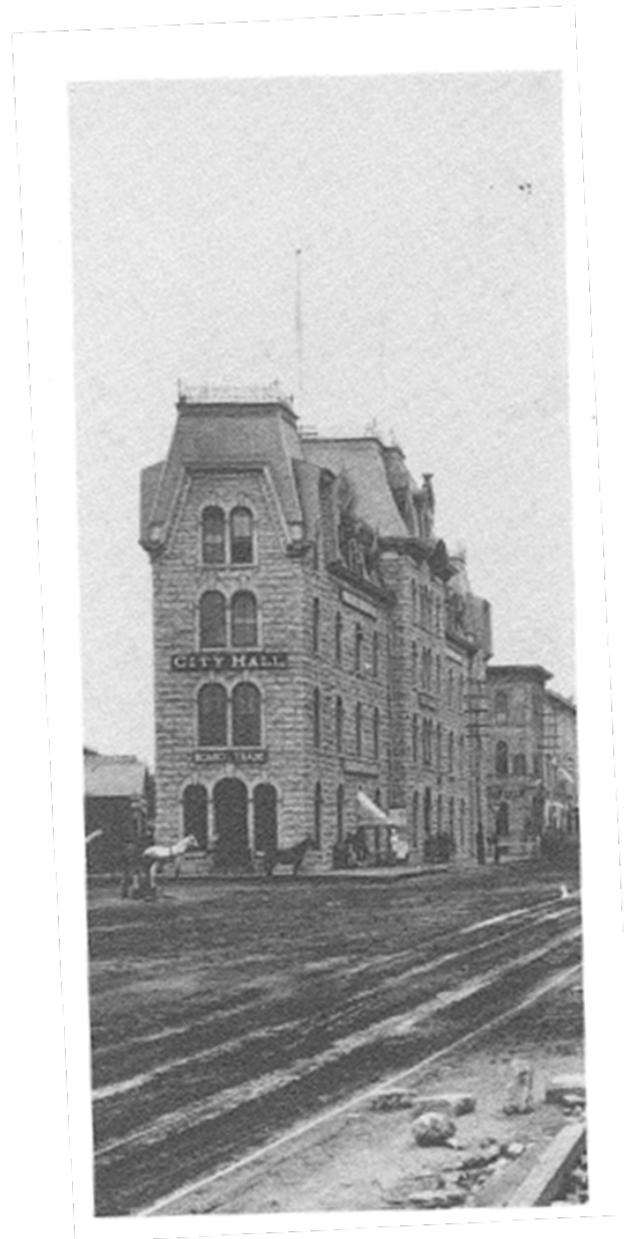
CITY OF MINNEAPOLIS

City of Minneapolis Real Estate Strategy

Downtown Campus Status Report

June 27, 2016

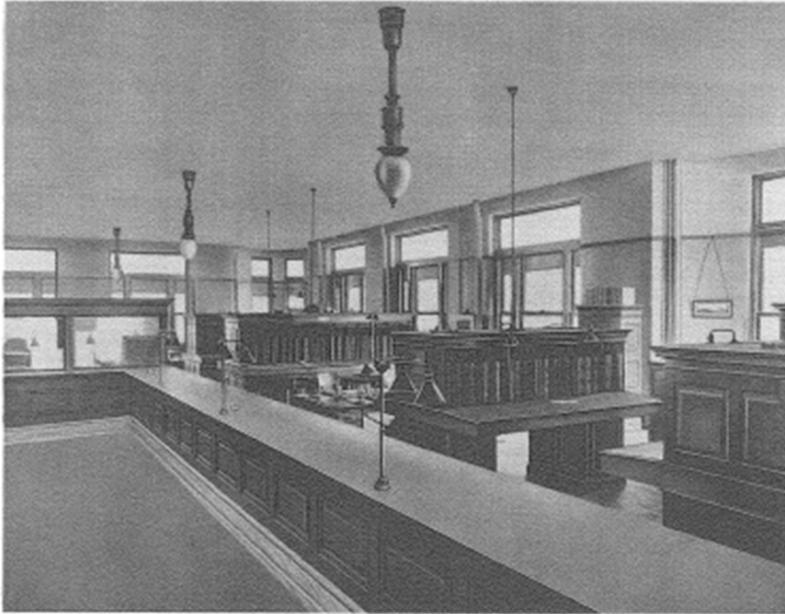
Original City Hall



Current City Hall



Original Public Service Counters and Communications Center



1920's Proposal



Public Service Center – Constructed in 1957

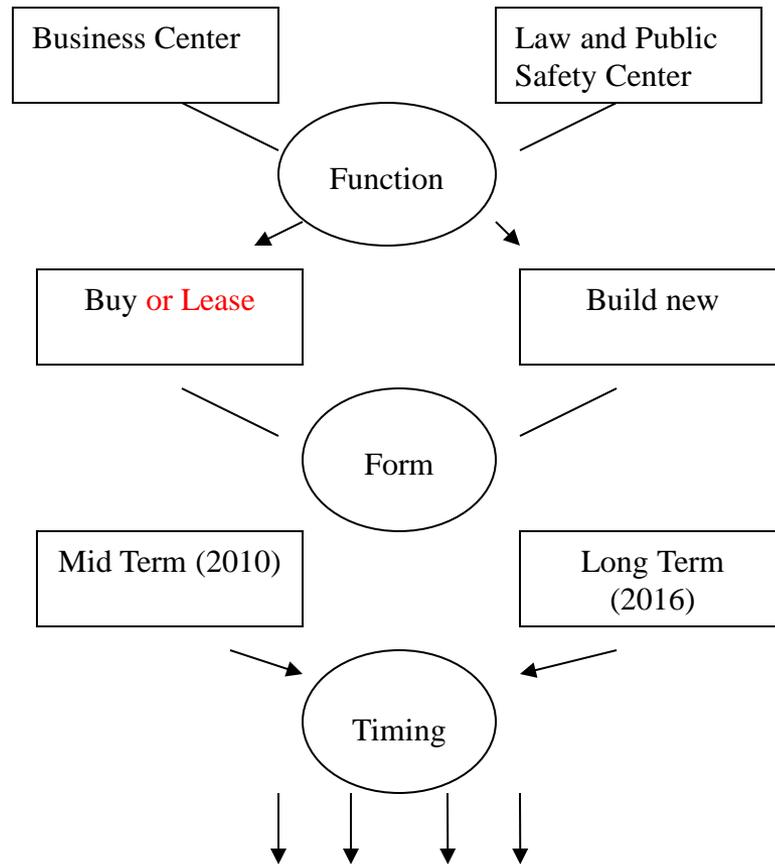




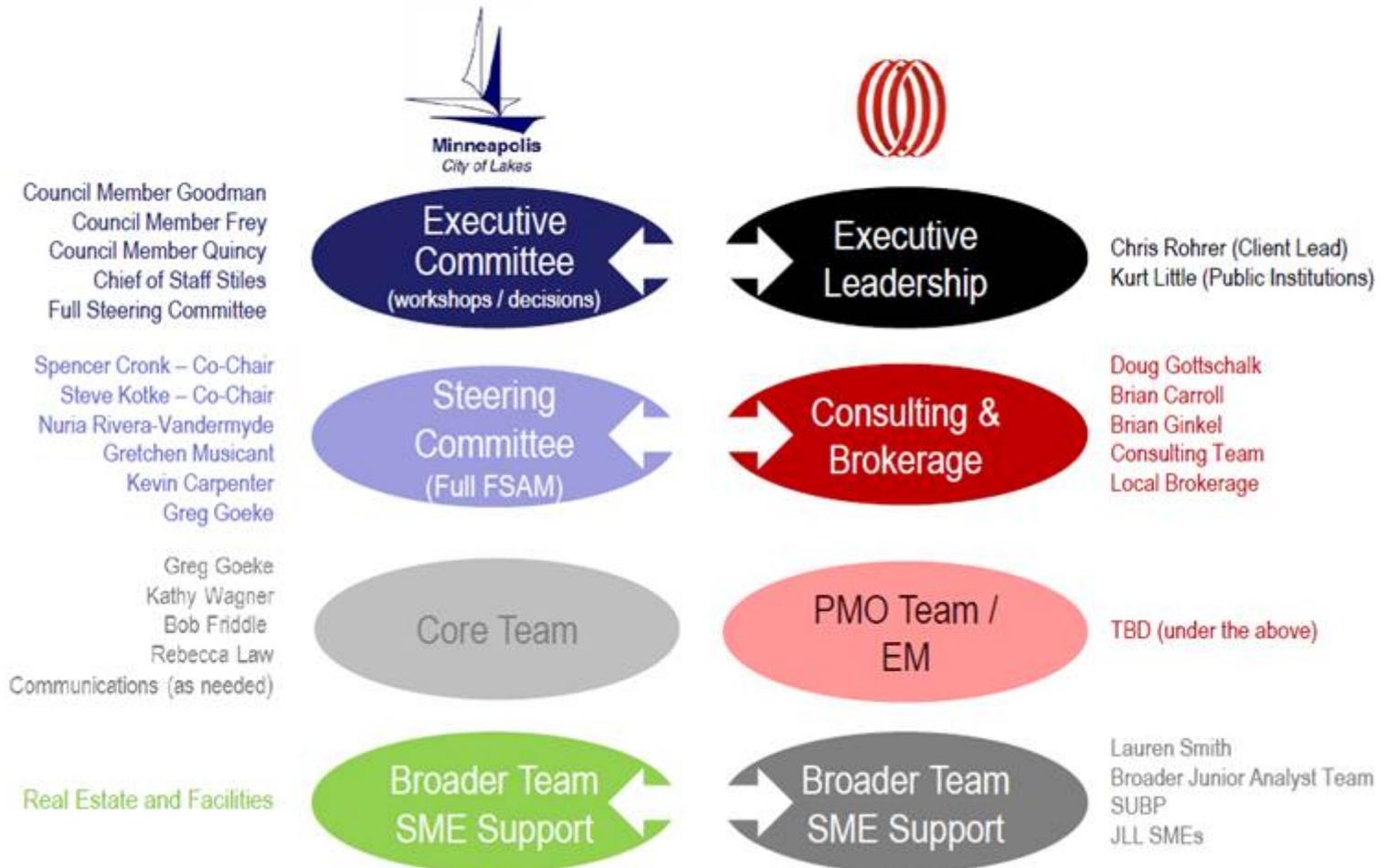
City of Lakes Building – Constructed in 1958



Developing a Long Range Strategic Plan



Project Team Roles



Work process recap

Initial Analysis of Current Situation

Goals

- Come to a consensus on the City's goals and priorities for the project.
- Analyze portfolio data provided by the City to establish baseline space cost and utilization metrics.
- Determine path to accomplishing goals

Observations

- Currently spread out between 6 buildings; limited collaboration
- Proximity to other city employees an issue; inefficient adjacencies
- Owned facilities aging and have deferred maintenance issues
- Current state does not meet required needs of city to run effectively

Functional Relationships/ Adjacency Study

Goals

- Understand how work flows through the city, what are the key processes and interactions that get the City's work done.
- Identify the Key Functional of the Department and Divisions.
- Establish Adjacency Requirements based on Key Functional Relationships

Observations

- Best to consolidate into 1 – 2 additional buildings close to City Hall
- Improve access to and coordination between Public Facing services
- Bring 'Enterprise Support' functions in to City Hall wherever possible
- Public Safety groups better served if in their own building

Workforce Survey / Utilization Study

Goals

- Understand how people work together, how teams use their workspaces, and the nature and pace of collaboration.
- Identify how the current work space affects productivity.
- Identify possible causes of time loss and productivity inhibitors.
- Determine missed opportunities in terms of use of space.

Observations

- Employee satisfaction survey proves unmet needs and employees not satisfied
- Police and Public Services, best in separate buildings
- Improve collaborative opportunities
- Allow for new needs and special projects / large meetings / temp uses

Real Estate Options / Scenarios

Goals

- Identify and assess the various opportunities available that will best meet the City's goals. City-owned land, third party existing buildings for lease or sale, developer controlled sites
- Evaluate options from financial, operational, and risk perspective
- Evaluate each options' advantages & disadvantages

Observations

- 150,000 USF minimum required outside City Hall
- Limited lease options in this size in Mpls CBD
- Lease options limited for public facing services
- Build options on City owned sites create multiple moves
- Only one realistic build to suite option (Lease)
- Lease to own

Prepare Materials for FSAM & City Council

Goals

- Provide the City with a list of prioritized preliminary opportunities.
- Discuss possible scenarios, limitations, assumptions and outcomes.
- Gain consensus on proposed opportunities.
- Acquire approval on a list of opportunities on which to focus.

Intended Outcomes

Increase employee productivity and engagement

Increase collaboration and innovation amongst employees

Foster better general public experience and use of time

Optimize the costs and utilization of our real estate portfolio

Improve environmental footprint

Define the culture of the city as a work place

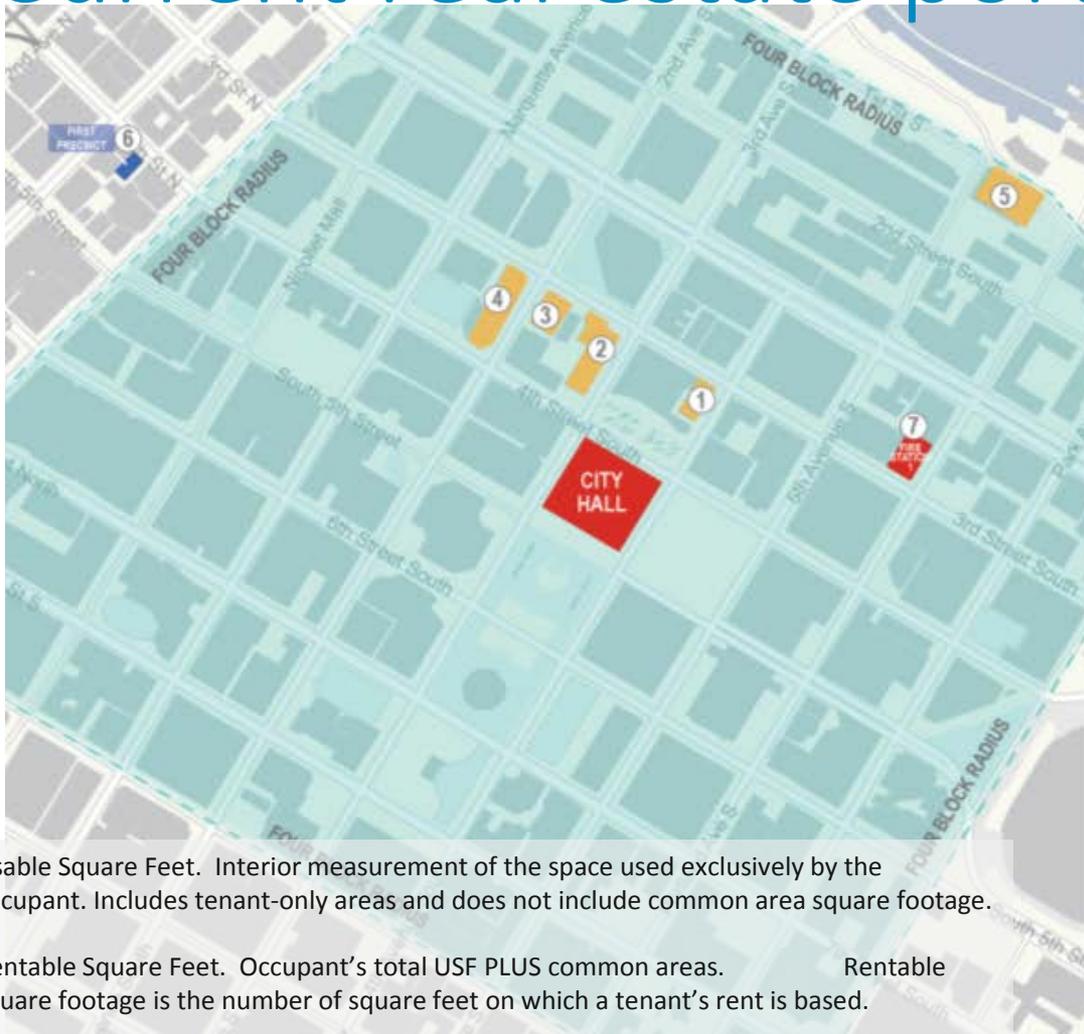
Crystalize the public face of the city or “brand”

Improve employee recruitment and retention

Goal for Downtown Campus:

- To consolidate city office spaces into modernized facilities that function well for employees and for the general public and that are cost-effective and environmentally-responsible.
- The ultimate goal is to have the right kind of space in the right locations(s) to best facilitate employee communications and service to the public.

Current real estate portfolio



NON CITY HALL SITES			
	RSF	USF	Loss FACTOR
1 FLOUR EXCHANGE EMPLOYEES: 98	18,812	15,174	1.24
2 PUBLIC SERVICE CENTER EMPLOYEES: 319	107,280	78,918	1.35
3 CITY OF LAKES EMPLOYEES: 141	52,584	33,634	1.32
4 330 S 2ND AVE EMPLOYEES: 25	10,395	9,091	1.14
5 CROWN ROLLER MILL EMPLOYEES: 128	60,515	49,114	1.30
6 FIRST PRECINCT	18,560		
7 FIRE STATION 1	11,600		
TOTAL EMPLOYEES: 711	279,746	185,931	
CITY HALL			
EMPLOYEES: 761	297,264	209,342	1.42
TOTAL EMPLOYEES: 1472	577,010	395,273	

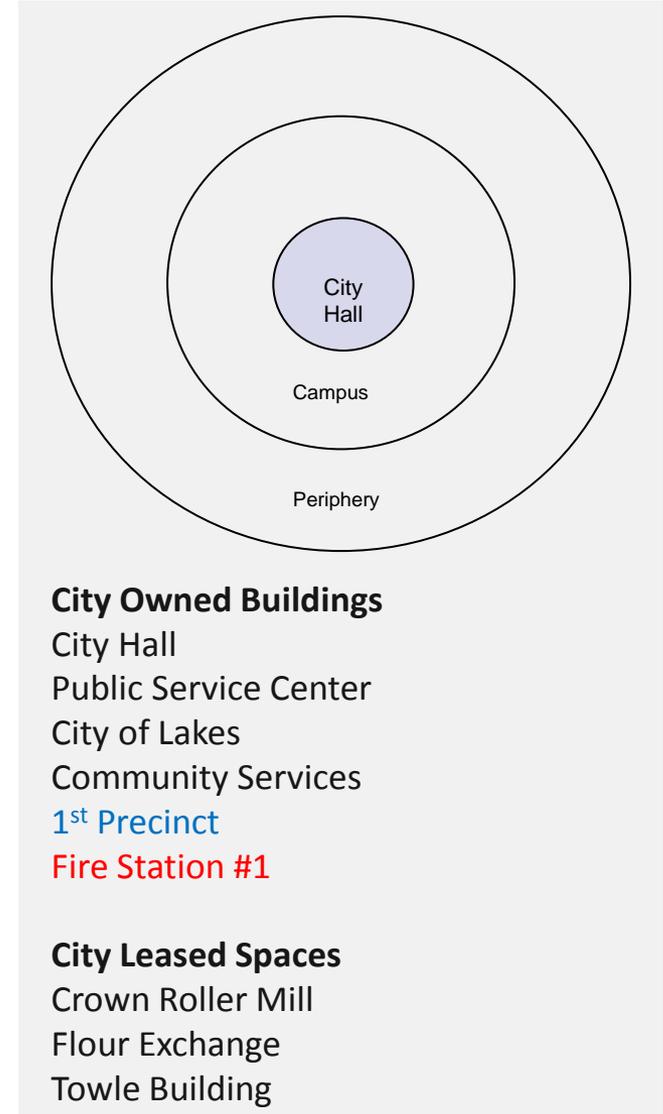
USF: Usable Square Feet. Interior measurement of the space used exclusively by the occupant. Includes tenant-only areas and does not include common area square footage.

RSF: Rentable Square Feet. Occupant's total USF PLUS common areas. Rentable square footage is the number of square feet on which a tenant's rent is based.

Loss Factor: The difference between Usable and Rentable square feet. Indication of how efficient a building is. **Market average loss factor is 1.15**

Initial analysis

- The City's offices in the downtown campus area are located in 6 separate buildings, including City Hall. It is difficult for citizens to find City staff and conveniently conduct business with different offices. In addition, the distance between staffs (within and between departments) hinders coordination and response times.
- Outside of City Hall (currently under renovation), the City-owned buildings are aging and are functionally obsolete.
 - Break – Fix (Do Nothing) strategy is only cost effective in the short term and is no longer to be consider as a viable option
 - Our current fleet of buildings are Functionally Obsolete and hamper the efficiency and quality of the services provided to citizens.
 - Operate at High Risk of Building Systems Failure
 - Creates an Atmosphere of Indifference by Employees
- The City's buildings lack many of the characteristics that modern public buildings require, such as:
 - Passive and active security
 - Universal Design (ADA, cultural and language differences, logical pathways)
 - Inviting public space – Information Gateway
 - Open suite flexibility; efficient design to support multi-function, integrated business functions
 - "Green" materials and systems
 - Scale, mixed-use, aesthetics



Overview of Stakeholder Interviews

Interviewees

- City Coordinator's Office
- Human Resources
- Information Technology
- City Attorney's Office
- Fire Department
- Civil Rights
- Health Department
- Public Works
- City Clerk's Office
- Regulatory Services
- City Assessor's Office
- CPED
- Police Department

JLL conducted interviews with key stakeholders within the City of Minneapolis. These interviews focused on establishing key requirements for the future of our downtown real estate footprint. This was an important first step to garner a collective vision, culture and long-term requirements for space.

Questions were asked in the following categories:

- Organizational function
- Business needs and direction
- Projected usage of space and goals for future real estate
- Perspective on success and challenges

All content in this document is based on interviews with the City's key leaders – they do not represent a recommendation of any sort and are for discussion purposes only.

JLL Observations

Stakeholder Interviews

There was alignment, engagement and urgency demonstrated by all interviewees during this process. The commitment to the success of this study and the commitment to taxpayers is very high as observed during these interviews. These interviews helped build some clarity and excitement.

Observations

- High alignment on overall strategy for action (consensus about consolidation)
- High buy-in to explore various scenarios
- High ownership, pride and legacy in their work
- Commitment to the success of the city and connection to the public
- Open to change and improvements – becoming a premier entity
- Efficiency and cost-focused leadership
- Desire to integrate and standardize
- 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)

Stakeholder Interviews: Top Themes of Improvement

Space

- Space has not been flexible. No availability of large multi-purpose conference to accommodate public meetings.
- While the City Hall building is historic, it locks us in - people feel shoe-horned (in fact this term was used by several interviewees).
- Wasted staff time going to and from meetings in different buildings.
- Space does not foster collaboration or ability to make efficient (good) decisions (A/V requires improvement).
- There are varying levels of space standard implementation. (work place – one size does fits all)
- The buildings are not in satisfactory condition and need to be addressed (especially with no RE strategy actions).

Organization

- Organizationally, we have to become more matrixed (buildings and workplace can bring this). This could be an embedded or matrixed organization in the future.
- Community is not fostered by the space we have (this was the most common message of all).

Culture

- Brand, culture and “public face” are not well articulated. No way finding. (space look and feel compounds organizational silos).
- Change has been difficult – decisions take long, leaders change and there is no change agent.
- 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 co-workers or the public.
- Employee hiring and retention key.

Functional relationship and adjacency requirements

Stronger Adjacency Requirement

Weaker Adjacency Requirement

- Departments may have a **STRONG Functional Relationship** tie in, but may have a **WEAKER Adjacency Requirement**.
 - For example, Human Resources and Information Technology are key elements of the Enterprise Support Function. However, these groups may not necessarily have a strong adjacency requirement with other 'Enterprise Support' functions. They may not need to be co-located at City Hall in order to do their work.
- Groups that may have a weaker 'Adjacency Requirement' within their Functional Relationship will be denoted with a hatched marking on the Functional Relationships wheels.
- **Understanding the final Adjacency Requirements (City Hall vs. Building Near City Hall) will help to establish the space requirements for the real estate scenarios that will be evaluated.**

Functional relationship and adjacency requirements



The **Functional Relationships translate into Adjacency Requirements**, depending on several key interactions.

- “Elected Officials” & “Enterprise Support” share key interactions with the Mayor & City Council. An adjacency requirement at City Hall is identified here.
- “Transactional Services” & “Community Collaboration & Programming” share key interactions with the public, and an adjacency requirement into a shared space near City Hall is identified.
- “Public Safety” groups also interact daily with the public, in addition to other City departments and the Elected Officials. These groups expressed a need to be near City Hall, but in their own facility.
- “Operations Support” groups focus on the day to day physical functioning of the City. These are mostly Public Works and Regulatory Services groups. Several of these groups may be located outside of Downtown.

Workplace Survey

Data Point	Purpose
Workstyle Survey February 11 - 23, 2015 (9 days)	Hear what Employees Say
Workplace Utilization Study February 18 - 24, 2015 (5 days)	See what Employees Do (quantitative)
Workplace Observation Study February 17& 18, 2015 (2 days)	See what Employees Do (qualitative)

Space Fundamentals – Conceptual Suite/Floor Layout

■ Individual Space ■ Working Space ■ Support Space ■ Amenity Space





Key findings

- In order to best meet the City's needs, Public Safety functions 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 that have an adjacency requirement to City Hall (several City Coordinator: Finance departments, for example) can be moved in to the building, if not already located there, better meeting their needs as well
- The team evaluated several real estate options that would move Public Safety functions out of City Hall, including:
 - Scenario 1 **"Combined Facility"**: City Hall + A combined Public Safety / Public Service Center and Offices building where the Public Safety and Public Service Center and Offices components would have separate entrances
 - Scenario 2 **"Separate Facilities"**: City Hall + separate Public Safety facility + separate Public Service Center and Offices facility
- Options reviewed include leasable third party multi-tenant buildings, buildings for sale, developer-controlled sites, and City owned property that could be used for a redevelopment.
- For the non Public Safety groups that need to be officed outside of City Hall, the Team determined that approximately 150,000 RSF is needed outside of City Hall to house Public Service Center and Offices.
- Many existing options explored have significant limitations or ability to meet the square footage needs and/or primary goals of an improved employee workspace, improved public interfacing experience, and a cost optimization plan aligned with the needs of the City.
- Any real estate scenario chosen must meet previously identified goals and objectives.

Scenario comparison

	Scenario 1 "Consolidated Facility"	Scenario 2 "Separate Facilities"
Description	A consolidated facility is built to house all functions.	Current Public Service Center is renovated for Public Safety & an additional building is leased or purchased
Advantages	<ul style="list-style-type: none"> • Creates the best potential for collaboration opportunities • Creates the maximum efficiency in departments working together • Alternative Workplace strategies more aligned with the City's goals can be achieved in properties more efficient than City Hall • Opportunity to include the First Precinct and Fire Station 1 in the Public Service Center space. Eliminate Operating Expenses and Maintenance cost at First Precinct building and Fire Station 1 building. • Additional Public Safety needs can be met (locker rooms, dorm, event planning space, expanded crime lab, First Precinct Co-location, Fire Station 1 Co-location, emergency management services, etc. 	<ul style="list-style-type: none"> • Public Safety needs are better met by being housed in their own building • Additional Public Safety needs can be met (locker rooms, dorm, event planning space, expanded crime lab, First Precinct Co-location, Fire Station 1 Co-location, emergency management services, etc.) in a refurbished Public Service Center. • This is still a great improvement for collaboration, efficiently, and meeting workplace standards. • Opportunity to include the First Precinct in the Public Service Center space. Eliminate Operating Expenses and Maintenance cost at First Precinct building and Fire Station 1 building.
Disadvantages	<ul style="list-style-type: none"> • Does not fully separate Public Safety and Public Service Center and Offices uses into two completely separate buildings • There are no lease options that fulfil this Scenario. • This would require double moves for those housed in City of Lakes and Public Service Center, adding to risk and complexity. 	<ul style="list-style-type: none"> • Creates a short term lease requirement for PSC displaced employees. • The Grain Exchange is high risk and high complexity due to its historic status, current tenancy rate, current condition, and larger than needed size.

Key Findings

- **Staying in the current six-building configuration and making no improvements isn't an option.** A model showing the necessary improvements in the city's owned facilities is called "baseline" or a minimal investment for the future.
- Dispersed operations among six buildings prevents the city from reaching optimal effectiveness for employees or the public.
- There is a need to enhance the public interface.
- Employees expressed a lack of satisfaction with their work environment and that significant time is lost traveling between buildings and meeting spaces, as evidenced by the employee survey.
- Overall space utilization is not optimal and can be improved by realigning individual and collaborative space distribution.
- Renovating the Public Service Center and City of Lakes Building, though a viable option, would require relocation of staff for several years.

- Break – Fix strategy is not cost effective in the long term
 - This strategy can no longer be considered a viable option
 - The current fleet of buildings are functionally obsolete and hamper the efficiency and quality of the services provided to citizens.
 - The facilities operate at high risk of building systems failure
 - The current configuration creates a high level of disruption of services to the public
 - The status quo creates an atmosphere of indifference by employees
- New work space standards should be developed and implemented to support a new work place strategy.
- Conducting business with the public should be made more easily accessible, more comprehensive, and should be co-located with the city departments that support it.
- The location and unmet needs of Public Safety have become a new driver for this project.

Options that were Evaluated

- Overall Evaluation Included
 - Renovating our Current Buildings and Continuing to Lease (Baseline for Comparison)
 - 5 Lease Options
 - 4 Buy Existing Building and Renovate
 - 2 Build on Private Site (including Build to Suit)
 - 2 Build on City Owned Real Estate



Evaluation matrix

Performance Metrics serve to define a project's success. They become the evaluation criteria against which different scenario options are measured. FSAM committee members were asked to number the performance metrics in order of most important (1) to least important (9). Public Interface and Proximity were ranked as being the most important, while Amenities and Brand were ranked as the least important.

Performance Metric	Score (Lower numbers = more important)
Public Interface: Is there a clear process for carrying out business with the City, and seamless customer-centric interactions?	15
Proximity: Are all of the Downtown offices now located within 1 – 2 blocks of City Hall?	19
Collaboration & Connectedness: Does the workplace connect Departments & Divisions to create better awareness and value?	22
Ease of Access: Will the public be able to easily navigate to their destination? Are offices intuitively located?	26
Productivity: Does the work environment foster increased in employee productivity?	27
Flexibility: Is the workplace designed to be flexible enough to accommodate growth and the changing needs of the City?	36
Recruitment & Retention: Is there a marked increase in employee retention, or in the recruitment of new employees?	41
Amenities: Is there a marked increase in technology, conference room, and amenity space utilization?	41
Brand: Does the work environment crystalize the public face of the City?	44

Options map



Legend

1. PSC/COL site
2. Parking Facility Site
3. Block 68
4. Northstar East
5. Grain Exchange Main & East
6. 1001 3rd Avenue
7. Fifth Street Towers
8. 100 Washington Avenue
9. NOC – Wells Fargo Block
10. Avalon Site
11. Marquette Plaza
12. Grain Exchange North
13. 111 Washington Avenue

Options Eliminated - Not Meeting Program

									
	Fifth Street Towers 100 S 5th St	100 Washington Ave 100 Washington Ave	NOC - Wells Fargo Block 255 S 2nd Street	Avalon Building 5th Ave & 3rd St S	Marquette Plaza 250 Marquette Ave S	Mpls Grain Exchange - North 301 4th Ave S	NorthStar East 608 2nd Ave South	1001 3rd Ave S 1001 3rd Ave S Minneapolis, MN 55404	111 Washington Ave 100 Washington Ave Minneapolis, MN 55401
	Lease Option	Lease Option	Buy and Renovate	Development Site	Lease Option	Buy and Renovate	Buy and Renovate	Lease Option	Lease Option
Why	Poor proximity to City Hall Insufficient public facing space	Poor proximity to City Hall Insufficient public facing space	Unavailable until approximately late 2017. No direction on what Wells Fargo wants to do with the building.	Owner wants to see retail/housing on site	Poor proximity to City Hall Insufficient public facing space	Not enough ownable space	Not suited for Public Safety, therefore too large for remaining	Poor proximity to City Hall. Too large to purchase.	Poor proximity to City Hall Insufficient public facing space

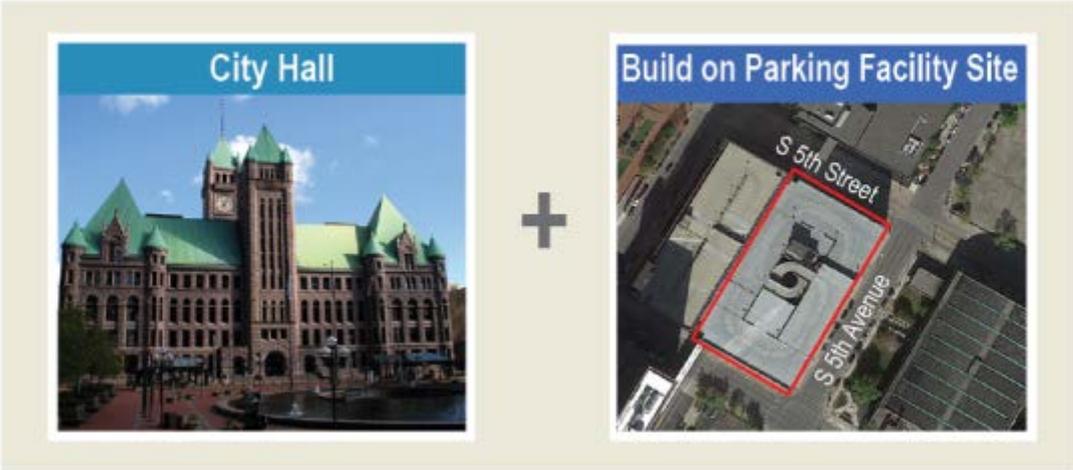
Options Eliminated – No Longer Available or Eliminated after Evaluation



	Public Service Center Block 250 4 th Street	Block 68 506 4 th Street South	Mpls Grain Exchange Main & East 400 4th St S
	Demolish and Rebuild	Development Site	Buy and Renovate
Why	Complexity of project and disruption to staff and public services vs. building on other site	Owner is moving forward with a multi-tenant mixed Use concept and is no a build option.	Potential buyer has building under control And is no longer for sale

Executive Committee Recommendation

City Hall + Build on Parking Facility Site



Assumptions

- Own
- CM or Design-Build Delivery

Advantages

- Ownership control
- Minimal moves for departments
- Current skyway/tunnel
- Improved public interaction
- Branding opportunity
- Modern workplace strategy
- Flexibility of USF built
- Improved adjacencies
- Sales proceeds from PSC or COL buildings
 - Frees up key parcels for private development

Disadvantages

- Potential loss of parking revenue
- Site is larger than SF City needs
 - Would potentially sell / JV additional land
- No views into Central Business District

Timeline

- 30-36 Months

Draft Timeline

June 27, 2016 <i>Draft</i> - Downtown Real Estate Consolidation Project Timeline			
2016 - 3rd Quarter	Project Planning and Organization	Project Organization Communication Plan Finance Plan RCA- Approvals Draft RFP for Owners Representative	
2016 - 3rd and 4th Quarter		Community Engagement and Planning	Issue RFP/Contract for Owners Representative Draft RFP for Program Development Parking Study Business/ Community/Labor Engagement: Police Service, Parking
2016 - 4th Quarter and 1st Quarter of 2017		Program Development, Cost Estimating and Methodology	Organizational Development Program Development Cost Estimates Site Options Construction Delivery
2017 - 1st Quarter		Contracting for Services	RFP Design-Build or Construction Management Architectural-Engineering Commissioning
2nd Quarter 2017 to 4th Quarter 2019		Design and Construction	Design Demolition Environmental Bid Build Commissioning
2020		Occupancy	FFE, IT installations Moves Re-stack City Hall Dispose of PSC & COL

**April 25, 2016 Draft Organizational Structure-
Downtown RE Project**

