2011 Program Report Card: Rents & Moving (CT Department of Public Works)

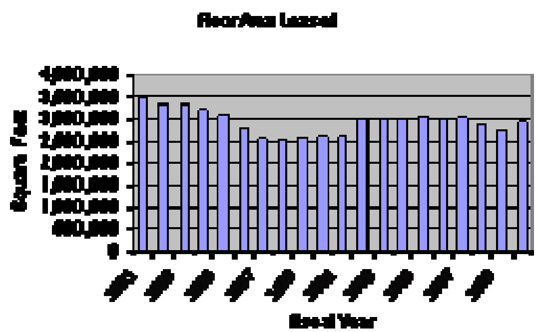
Quality of Life Result: All Connecticut residents have a state government that is efficiently, economically and responsibly administered.

Contribution to the Result: The DPW Rents & Moving program places all tenant agencies in leased space that is sufficient to meet their programmatic needs and achieve their core mission when state-owned space is not available. DPW's use of industry standards and market based parameters allow for efficient leasing within budgetary constraints.

Actual SFY 10 Total Program Funding: $11,646,996 *State Funding:* $8,871,902, after rescission/holdback $2,775,094 *Federal Funding:* **n/a** *Other Funding:* **n/a**
Estimated SFY 11 Total Program Expenditures: $12,286,673 *State Funding:* $8,899,774, after $11,760,641 initial appropriation had rescission/holdback of $2,860,867

Partners: State Agency Users, Landlords, Office of Policy & Management, State Properties Review Board, Attorney General, CT General Assembly (i.e.: laws passed that impact contracting and ethics which impact the length of the leasing process and the attractiveness of the State of Connecticut as a tenant).

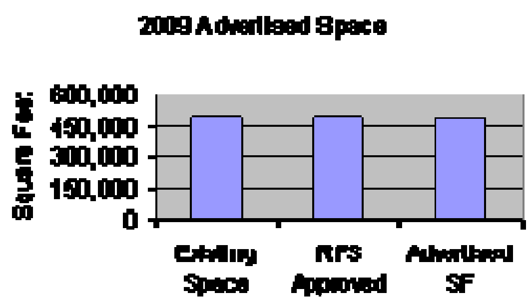
Performance Measure 1: Square footage of state leased space.
SFY90: Leased 3,482,897 Sq Ft. SFY10: Leased 2,932,212 Sq Ft. A 16% reduction.

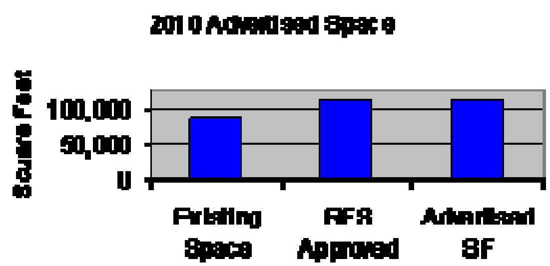


Story behind the baseline: Overall, the State's costs of occupancy are reduced when agencies can be placed in State-owned space. To that end, DPW has worked annually to place agencies in leased space only when no state-owned space is available. This has resulted in a 16% reduction in square footage lease with a corresponding reduction in leases costs since 1991. Moreover, there are agencies that must be located in specific areas, where no state-owned space exists, in order to effectively serve their client base.

Proposed actions to turn the curve: DPW continues to review opportunities to place agencies in state-owned space. However, as of 1/10, only 4% of space was vacant for DPW controlled properties and it is fragmented among various locations and not conducive to consolidation. Up-front costs for restacking and reconfiguring existing space are estimated at $23 million and will take 3-4 years to complete. To continue to reduce leased space dependency and do it more quickly, up-front funds must be made available for these renovations and to purchase/build new state buildings. Suggestions that don't require up-front spending might include statute changes that add flexibility to locations of state agencies (i.e.: "Greater Hartford" v "Hartford").

Performance Measure 2: Square footage of existing agency space as compared to the square footage actually approved and advertised.





Story behind the baseline: It is necessary to balance the Requests For Space (RFS) from state agencies, along with space specifications, with the available appropriations in the entire account. An RFS is a planning and approval document which state agencies use to justify the square footage being requested. It forms the basis for DPW to begin a search for leased space.

DPW must ensure that the space is sufficient to meet the needs of the user agency while not necessarily satisfying every want. DPW works with OPM in every case to both verify RFS accuracy and to ensure dollars are available to move forward. When inaccuracies are found DPW reduces the space to match what is warranted, saving the state money.

Proposed actions to turn the curve:
DPW developed and finalized statewide office space standards in 2004. This is applied to all agency space requests. Due to the current economic climate and other factors, an update to the State's Space Standard Manual is appropriate with resources being made available to do so. This will set state standards more closely to those used in the industry. This will allow the state to realize more space efficiencies when new space is procured for a lease or reconfiguration is a cost effective option.

Performance Measure 3: Current state lease rent rate conformity to Greater Hartford market rates.

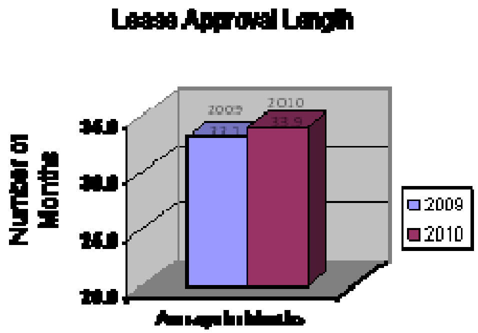
	Greater Hartford Area	DPW Leased Inventory
Total Inventory (s.f.)	9,594,501	1,218,453
No. of Buildings	221	36
Average Rental Rate	$ 17.52	$ 15.83

Story behind the baseline: The baseline is the "average rental rate" as reported by industry. DPW wants to ensure state tax payers are getting a fair lease for their dollars and benchmarking against market area rates and data provided by industry organizations allows for comparison of DPW efficiency and negotiating skills, while taking into account the constraints of the user agency and market conditions.

The $1.69/sq foot savings that DPW has achieved is a result of staff's ability to leverage the State as a long-term tenant and DPW pays market rates or below in all economic climates. Increased costs in good economic times are a result of higher market rates, not more lenient negotiating standards.

Proposed actions to turn the curve: Statutory requirements, policies and procedures affect the state's ability to effectively negotiate better rates. A lessor is more inclined to incorporate their holding costs in his pricing to account for the state's process vs. the private sector process. Statutory changes have been proposed as part of the 2011 DPW legislative package, which awaits approval. The proposals have goals to reduce costs and improve process times. As indicated in Performance measure 4, DPW and OPM are currently reviewing the leasing process in an effort to reduce the process time in half. Implementation of changes, if approved, is likely to begin in mid-winter 2011.

Performance Measure 4: Time frame from receipt of Request for Space from a user agency and the finalization of the lease.



Story behind the baseline:
The current time it takes to complete a lease, which is defined for these purposes as the time from which DPW notifies an agency that there are 18 months left in its lease until the time a lease is approved (signed by AG), is approximately 33 months. As a result, the length of time present challenges for landlords, such as holding costs, missed opportunities with other tenants. Moreover, state requirements, and the approval process limit the volume of lease space options that are available to the state. A more timely leasing approval process will make the state more marketable as a tenant and also will more quickly meet the needs of the user agencies and their clients.

Proposed actions to turn the curve:
DPW has embarked on a Lean Contracting process, along with OPM and in consultation with high-end user state agencies, with consultants at CONNSTEP. One of the major goals of this process is to reduce the time it takes to complete a lease in half. As this process evolves, it will allow DPW to present progress and nail down specific recommendations for administrative and statutory changes, as applicable, that benefit landlords and state agencies. Implementation of changes, if approved, is likely to begin in mid-winter 2011.