

2012 Program Report Card: Rents & Moving (Department of Administrative Services, formerly 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 DAS (formerly 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. DAS’s use of industry standards and market based parameters allow for efficient leasing within budgetary constraints.

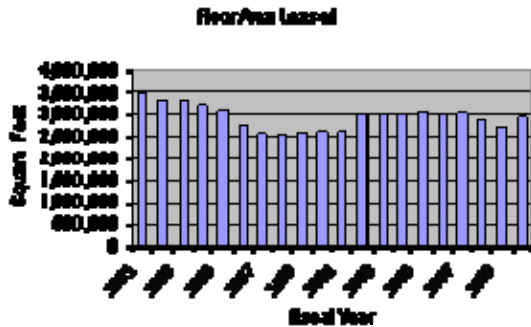
Program Expenditures	State Funding	Federal Funding	Other Funding	Total Funding
Actual FY 11	\$9,691,423	N/A	N/A	\$9,691,423
Estimated FY 12	\$11,717,289	N/A	N/A	\$11,717,289

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).

How Much Did We Do?

Performance Measure: Square footage of state leased space.

SFY09: 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”).

Trend: ▲ In FY 2011, DAS leased 2,641,153 square feet (excluding DOL leases), as compared to 2,932,212 sq.ft. (excluding DOL leases) in FY 2010, constituting a net reduction of 3%. Additionally, DAS Commissioner DeFronzo has earmarked \$1m this fiscal year to assist in restacking and consolidating space in existing buildings over the next two fiscal years with the aim of collapsing leases.

How Well Did We Do?

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

	Greater Hartford Area	DPW Leased Inventory
Total Inventory	9,594,501 sf	1,218,453 sf
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.

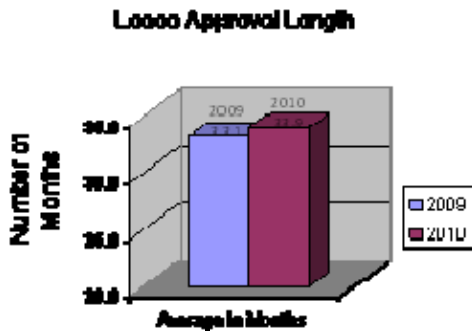
Trend: ◀▶ DAS is in the process of obtaining current market data to update this measure. We anticipate, however, that the updated market data will reflect that the average rental rate for state leases will be below the average rental rate for Greater Hartford because each lease transaction must be considered at or below market in order to receive the necessary state approvals.

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Is Anyone Better Off?

Performance Measure: 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.

Trend: ▲ Commissioner DeFronzo, DAS Leasing, OPM and SPRB completed the initial LEAN review of the leasing process and eliminated approximately 30 steps. It is anticipated that this will cut the length of leasing process in half. The process was implemented this year, so data is not yet available to measure the performance. DAS is continuing to work with OPM and SPRB to develop additional process improvements to reduce the time frame for completing leases.