

## **Real Estate Leasing & Planning Section**



## **2015 Briefing Document**

## **REAL STATE LEASING AND PLANNING SECTION OVERVIEW**

The Real Estate Leasing and Planning Section (RELPS) works with private sector building owners to provide leased space to house state agencies. RELPS leased inventory consists of over 1,700 active leases and 20 million square feet of leased space throughout the State of California, with a small component outside of the state. RELPS has a proven track record of delivering quality space that meets all state leasing standards as well as administering lease management solutions for state agencies.

The RELPS lease portfolio functions as a relief valve, augmenting the state owned portfolio when state owned space is completely occupied or unable to meet specific agency program requirements. RELPS also has the unique ability to provide a quick turnaround for customers that need an expedited schedule to deliver space for new programs such as the High Speed Rail, Covered California, and the DMV AB60 requirements. The occupancy of leased space provides the state a strategic advantage as it lends the capability and flexibility of lease terms necessary to plan the replacement of leased facilities with state owned facilities when the demand for space and financial considerations align.

The RELPS team is comprised of dedicated, knowledgeable and professional real estate officers (REO's) and planning professionals offering a wide range of experience in securing leased space and designing space to meet the diverse needs of the State of California agencies. RELPS has approximately 80 professional staff and managers and can be working on over 800 leasing projects across the state. REO's and Planners have a minimum of a 4-year college degree or equivalent experience in Business, Real Estate, Interior Design or Architecture. Many of the REO's have commercial real estate experience from the private industry and hold a California Bureau of Real Estate broker or salesperson's license. Many of our planners are members of the National Council of Interior Design (NCIDQ), California Interior Design (CID), and/or are LEED Accredited Professionals. The RELPS team insures that the program needs are met expeditiously and economically and that the leasing process and space acquired adhere to strict and complex state requirements and specifications. This includes, but is not limited to, ADA access compliance, seismic certification, green/sustainable buildings and LEED goals. The ultimate goal of the RELPS team is to provide quality space within the scope, schedule, and budget of the client agency. The RELPS team has a substantiated history of performance in this regard. The RELPS staff has no financial incentives to lead agencies to a particular facility or Lessor which allows the agencies to procure facilities solely based on program needs and competitive market conditions.

## STATE LEASE VS. PRIVATE SECTOR LEASE

Over the past number of years, RELPS has been leasing space using its own tenant driven lease with the demand for flexibility in the private commercial market. During these years, RELPS has indoctrinated, educated, and explained to landlords, bankers, underwriters, REITs, individuals and BOMA, the advantages of having the state as a tenant in their buildings. We have created an unprecedented State of California standard in the real estate leasing community where we typically give the lessor four (4) years of firm term and also include four (4) years of soft term (soft term means the state has the unilateral right to cancel the lease in the soft term) which equates to an eight (8) year lease term for the state. The standard in the market for the private sector is a five (5) to ten (10) year firm term lease. The state has also minimized the notice period necessary to terminate/vacate from the private sector normal period of 120 to 365 days, to the state standard of 30 to 90 days. The state can terminate these leases without penalties, which are many times used in private sector leases. The acceptance of the state lease in the market allows us to lease space at no premium with complete flexibility. The additional four (4) years of soft term provides agencies and the state a unique position to plan new space, downsize their current space, and evaluate their program needs, all while providing a set budget for rent and a secure position in the facility. RELPS maintains the negotiating leverage to offer a firm term and extend the ending term to gain a rate reduction or tenant improvement funds. The state will consider longer lease terms when necessary to meet specific program needs with a higher than normal build out such as single tenant consolidated headquarter facilities, labs, CHP facilities, DMV's, new construction, etc. DGS is able to maintain a better balanced Real Estate portfolio with greater flexibility than most private sector lease portfolios.

The table below illustrates the flexibility within the leased portfolio.

Leases in soft term	637	33.3%
Leases in soft term in the next 12 months	171	10.0%
Leases in soft term in the next 24 months	321	18.0%

The table demonstrates the liquidity of the States real estate leased assets. The state has the right to terminate and vacate roughly a third of its facilities, approximately 7.3 million square feet or \$12 million in monthly rent. In twelve months the state could eliminate an additional 10% representing 2.9 million square feet and over \$5 million in rent. In twenty-four months, the state could downsize the state leased portfolio by 61.3% reducing the States monthly rental obligations by \$27 million. Analyzing these figures demonstrates the flexibility that has been achieved through our leasing process.

## **RELPS INNOVATIONS**

RELPS has consistently utilized innovative practices to achieve greater success and increase customer satisfaction; some of these innovations are outlined below:

- 1) Developed a proprietary lease and project management database tool known as Evision integrating project information with electronic lease information including all reporting, documents, and correspondence. This tool has allowed for enhanced customer communication and satisfaction.
- 2) California Facilities Assessment Team (CFAT) – Rent reduction task force. Team of REO and Space Planners that evaluated and implemented lease rent reductions to Lessors from 2009-2014. Obtained reductions in over 20% of our lease portfolio with savings of over 180 million dollars to state agency facility budgets.
- 3) Facilities Development Overview – Providing comprehensive facilities development training for customer agency staff related to the leasing and design process followed at RELPS. Intensive 2 day course covering the whole cycle of a leasing project.
- 4) Greening of Leased Facilities - RELPS strives to lease LEED facilities. Currently, 17 percent of leased space within DGS's lease portfolio is LEED certified. The exhibit specifications included with our lease packages contain energy efficient design standards and address environmental concerns such as low VOC's and gold standard carpet selection. Space planning incorporates open floor plans and window lines in their design plans to utilize natural lighting.

## **RELPS CUSTOMER SERVICE**

RELPS encourages our client agencies completion of customer satisfaction rating surveys at the end of each project, we are proud of the consistent high ratings given to our teams.

- 1) RELPS worked with the Department of Parks and Recreation is designing and leasing a 265,282 SF building to accommodate the merger of 7 leases into a state of the art facility housing artifacts for the department.
- 2) RELPS reacted quickly to the formation of Covered California through the Patient Protection and Affordable Act, providing 2 call centers and administrative facilities to accommodate an immediate need enabling the program to be up and running.
- 3) RELPS designed and leased 4 separate facilities for DMV to accommodate legislatively required licensing requirements under AB60; this project required a quick turnaround with limited firm term available.
- 4) RELPS worked with BOE to house 3 newly elected members into acceptable leased facilities in an expedient manner.
- 5) RELPS designed and leased space for Department of Toxics Substance Control in Pasadena, creating a state of the art facility for the purpose of monitoring and measuring toxic chemicals in environmental media.

- 6) RELPS works with the Department of Motor Vehicles to design and manage the construction of leased LEED Silver or better build to suit regional facilities.

This is a small sampling of the types of projects our staff are working on daily to keep the states and agencies mandated project delivery moving forward seamlessly.

**SACRAMENTO COUNTY AND STATEWIDE LEASE INFORMATION  
(As of June 1, 2015)**

**SACRAMENTO COUNTY**

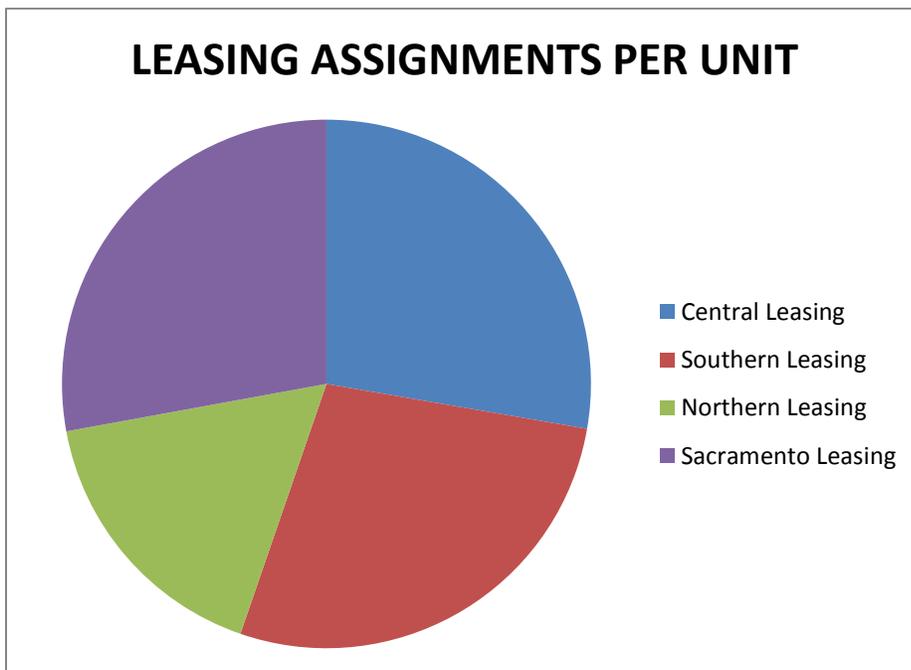
	DGS MANAGED
NUMBER OF LEASES:	295
TOTAL SQ. FEET OF LEASED OFFICE SPACE:	7,333,907
TOTAL SQ. FEET OF LEASED STORAGE AND "OTHER" SPACE:	2,328,439
TOTAL MONTHLY RENT FOR ALL LEASED SPACE:	\$15,667,567
TOTAL ANNUAL RENT FOR ALL LEASED SPACE:	\$188,010,804

**STATEWIDE**

	DGS MANAGED
NUMBER OF LEASES:	1,720
TOTAL SQ. FEET OF LEASED OFFICE SPACE:	15,146,515
TOTAL SQ. FEET OF LEASED STORAGE AND "OTHER" SPACE:	4,338,388
TOTAL MONTHLY RENT FOR ALL LEASED SPACE:	\$37,661,525
TOTAL ANNUAL RENT FOR ALL LEASED SPACE:	\$451,938,300

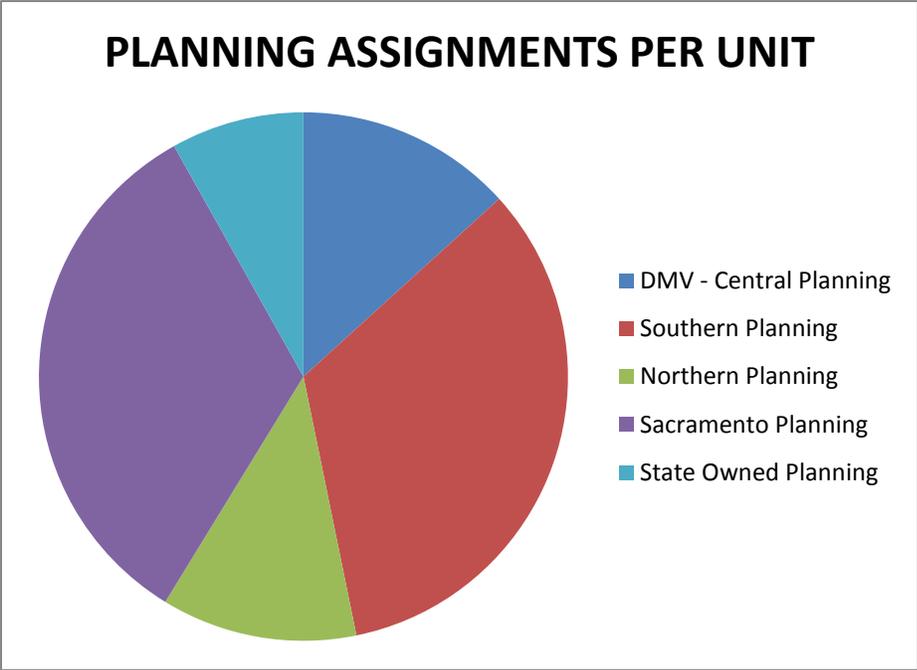
**RELPS WORKLOAD**  
**(As of June 1, 2015)**

<b>RELPS – Leasing</b>	<b>Total Leasing Assignments</b>	<b>Total Number of REOs</b>
<b><u>Central/DMV Leasing Unit</u></b>	<b>176</b>	<b>5</b>
<b><u>Southern Leasing Unit</u></b>	<b>175</b>	<b>4</b>
<b><u>Northern Leasing Unit</u></b>	<b>107</b>	<b>2</b>
<b><u>Sacramento Leasing Unit</u></b>	<b>177</b>	<b>3</b>
<b><u>Lease Management Unit</u></b>	<b>N/A</b>	<b>4</b>
<b><u>Summary Totals</u></b>	<b><u>636</u></b>	<b><u>16</u></b>



### Total Planning Assignments

RELPS – Planning		Total Number of Planners
<u>Central/DMV Planning Unit</u>	163	5
<u>Southern Planning Unit</u>	412	5
<u>Northern Planning Unit</u>	147	4
<u>Sacramento Planning Unit</u>	407	10
<u>State Owned Planning Unit</u>	100	4
<u>Summary Totals</u>	<u>1,129</u>	<u>29</u>



**RELPS HOT PROJECTS  
(As of June 1, 2015)**

- **Water Resources Sacramento (Consolidation) 130,000 sq. ft.**  
Request to build a new Essential Services facility, Joint Operations Center to incorporate DWR and the Bureau of Reclamation. Current project is in the planning and design phase.
- **Office of the State Publisher Sacramento (Consolidation) 250,000 sq. ft.**  
Request to relocate the OSP out of existing site state owned (17 Acre site) on Richards Blvd to new leased space. The building does not meet current safety and ADA standards. OSP completing strategic planning for future business model of the state printing operation.
- **Office of Statewide Health Planning and Development Sacramento (Office Relocation) 120,000 sq. ft.**  
OSHPD to relocate to new leased space in downtown. The department must move out of a CalPERS owned building by the end of lease term in 2020.
- **DGS Sacramento (Lease Renewal) 300,000 sq. ft.**  
The Zig (DGS HQ) will expire in 2019. DGS has the unilateral right to terminate the lease starting in 2016.
- **Board of Equalization Sacramento (New Space) 100,000 sq. ft.**  
BOE headquarters at 450 N. Street needs significant repairs. DGS is working with BOE to find temporary space to house staff during the repairs.
- **CDCR/ CalHR Sacramento (Lease Renewal) 304,000 / 39,000s.f.**  
CalHR is leasing approximately 50,000 s.f. from CDCR under an Interagency Agreement (IA). CDCR wants to take back some of the space in the agreement, CalHR would like to amend their lease to include the space in the IA, the lease is currently in soft term. If CalHR is forced to give up space, it will cause them to relocate entirely to new space in Sacramento.
- **Transportation Irvine (Lease Renewal) 100,000 sq. ft.**  
DOT District office has requested to reduce space in Irvine. DGS evaluating the program needs and potential of a lease renewal or relocation in Orange County.

## RELPS PROJECT PHOTOS

Department of Parks and Recreation



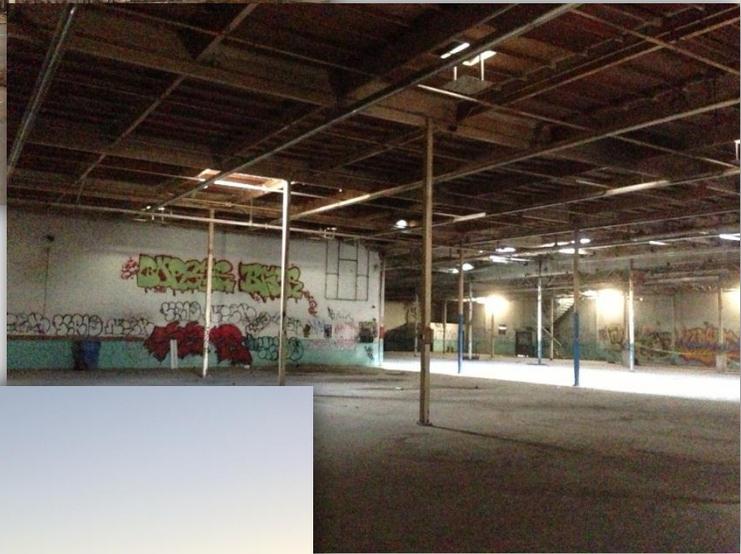
Covered California



DMV AB60



Before



After



Board of Equalization



Department of Toxics Substance Control



# DMV FIELD OFFICES



**El Monte**

**Occupancy Date: 08/01/11**  
**Project Duration: 42 Months**



**Bishop**

**Occupancy Date: 05/1/06**  
**Project Duration: 21 Months**



**Fontana**

**Occupancy Date: 07/17/14**  
**Project Duration: 45 Months**



**Tracy**

**Occupancy Date: 10/01/08**  
**Project Duration: 33 Months**



**King City**

**Occupancy Date: 10/01/06**  
**Project Duration: 22 Months**



**Fresno**

**Occupancy Date: 11/01/11**  
**Project Duration: 36 Months**

# DMV FIELD OFFICES



**Lodi**

**Occupancy Date: 12/01/10**  
**Project Duration: 25 Months**



**Rocklin**

**Occupancy Date: 07/01/08**  
**Project Duration: 43 Months**



**Palm Desert**

**Occupancy Date: 10/01/12**  
**Project Duration: 48 Months**



**Roseville**

**Occupancy Date: 07/01/13**  
**Project Duration: 28 Months**



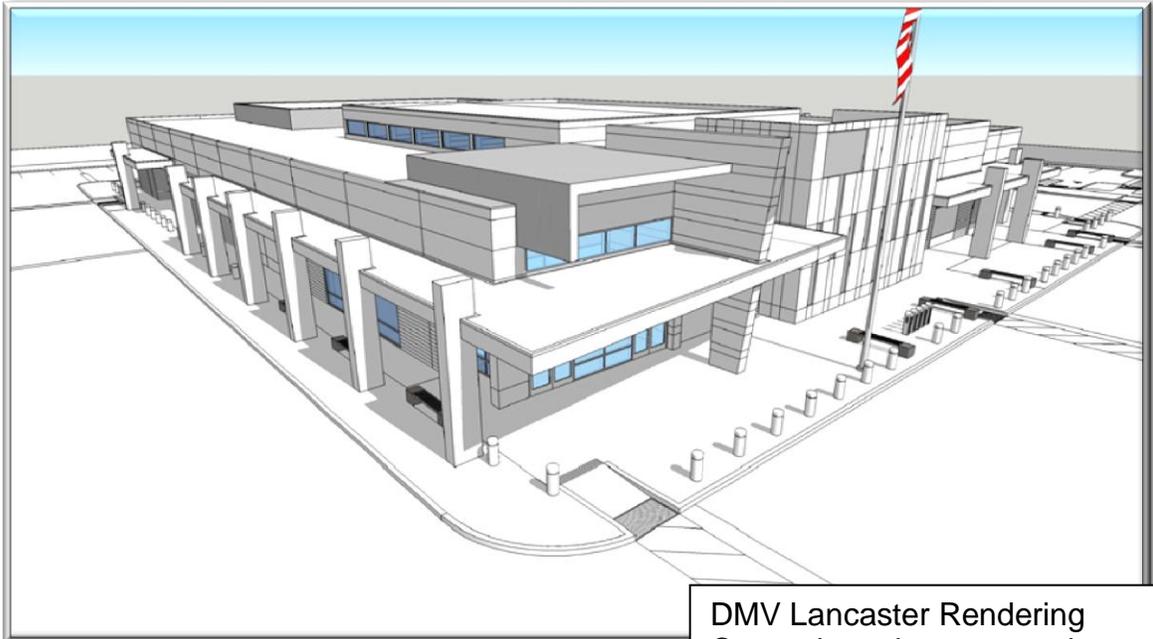
**Riverside**

**Occupancy Date: 03/01/06**  
**Project Duration: 41 Months**



**Stockton**

**Occupancy Date: 10/01/10**  
**Project Duration: 29 Months**



DMV Lancaster Rendering  
Currently under construction