

Public Agenda Item #18

Review and Discussion of the Space Planning

February 23, 2016

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Space Planning

Background



- History of the Project
- ERS Building Plans
- Project Phases
 - Phase 1: Situation Review
 - Feasibility Study
 - Phase 2: Business Case Development
 - Massing Study and RFI
 - Phase 3: Implementation

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Background



Original Scope:

Demand: What occupancy strategy (SF & Location) best suits ERS long-term?

Supply: How do market forces impact these options?

Supplemental Scope:

Demand: What types of design solutions are possible on ERS' site?

Supply: How does the development community react to the opportunity?

Thematic Driver – Is there a development solution that concurrently solves ERS' long term space needs and provides a potential revenue stream?

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Feasibility Study



- Key Findings
 - Insufficient space to accommodate future growth
 - Insufficient meeting & collaboration space
 - Poor natural lighting
 - Poor acoustic privacy
 - Inconsistent technology
 - Strong desire from staff to provide better client service through reconfiguration of client-facing space
 - Utilization well below industry standards

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Feasibility Study



INDUSTRY

- USF/Employee
 - 200 (+/- 10%)
- Open: Closed
 - 75% : 25%
- Typical Workstation Footprint
 - 48 – 64 sf
- Typical Office Footprint
 - 120 – 150 sf

CURRENT

- USF/Employee
 - 253
- Open: Closed
 - 47% : 53%
- Typical Workstation Footprint
 - – 64 – 80 sf
- Typical Office Footprint
 - 160 – 320 sf

PROPOSED

- USF/Employee
 - 230
- Open: Closed
 - 77% : 23%
- Typical Workstation Footprint
 - 48 – 64 sf
- Typical Office Footprint
 - 130 – 160 sf

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Massing Study



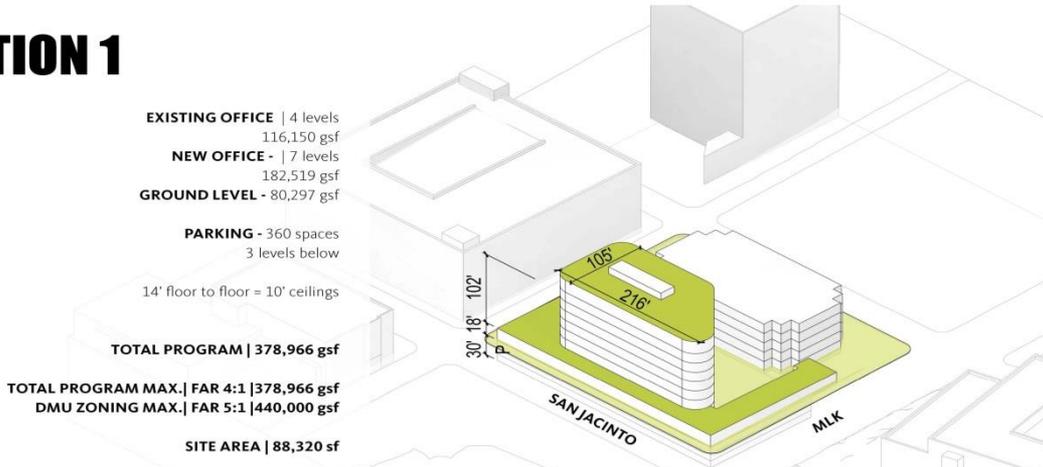
- Key Findings
 - Excellent condition with long remaining useful life
 - Operates at close to market standards with respect to expenses/maintenance
 - No major capital expenditures anticipated to address structural or mechanical issues
 - Restricted to ~130 foot height
 - Parking sufficient for ERS/members, not for potential private sector clients
 - Original structural engineering documents neither eliminate the possibility nor encourage the opportunity to construct additional floors, requiring further investigation
 - Site allows for up to 600,000 Gross SF of development

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Massing Study



OPTION 1



AGP = Above Grade Parking
BCP = Below Grade Parking
FAR = Floor to Area Ratio
BCH = Back of House

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Massing Study



OPTION 3

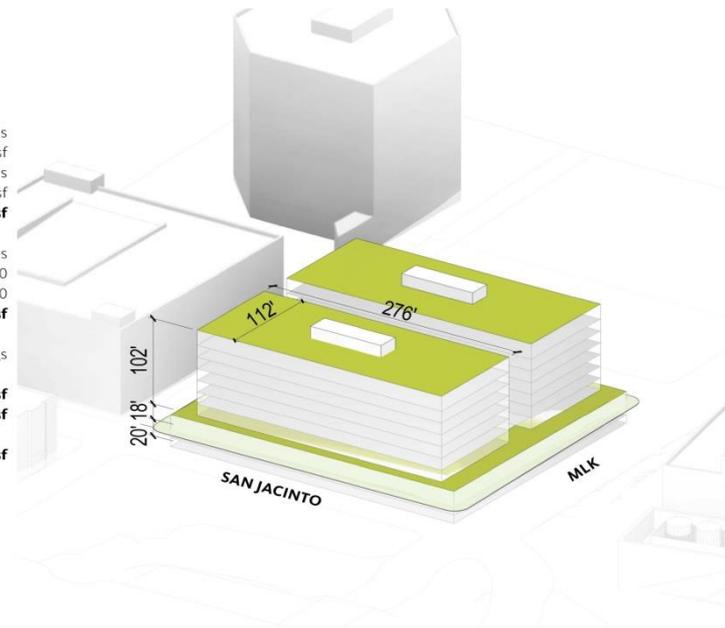
OFFICE BUILDING 1 - 20,000 gsf floor plate | 8 levels
160,000 gsf
OFFICE BUILDING 2 - 20,000 gsf floor plate | 8 levels
160,000 gsf
TOTAL | 320,000 gsf

PARKING - 776 spaces
1 Levels above | 57,000
2 Level below | 176,000
TOTAL | 233,000 gsf

14' floor to floor = 10' ceilings

TOTAL PROGRAM MAX. | FAR 6:1 | 553,000 gsf
DMU ZONING MAX. | FAR 5:1 | 440,000 gsf

SITE AREA | 88,320 sf



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BGP = Below Grade Parking
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BOH = Back of House

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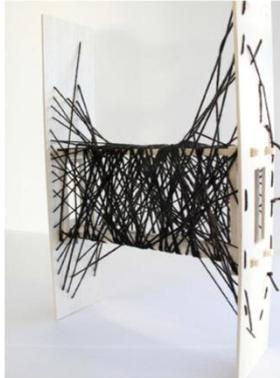
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Massing Study



OPTION 3

CONNECTORS can work with any scheme and can be located at any level.
GLASS AND ACCESS CONTROL is variable.



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RFI



- Process
 - Sent RFI to more than 65+ targeted global developers (targeted for their urban experience)
 - Goal of 2-4 responses due to preliminary nature
 - Received 3 responses
- Key Findings
 - Market interest in the project
 - Market expressed greater interest in fee simple acquisition vs. ground lease
 - Overwhelming support for separate buildings since ERS wants to remain on site
 - Support for suggested phasing and timelines
 - Retaining building most sensitive towards sustainability
 - Two solutions preferred from Massing Study – Scenario 1 or 3

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Potential Transaction Scenarios



- Credit Tenant Lease
- Ground Lease
- Fee Development for ERS use
- Self-funded Construction

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Market Snapshot



| Cost Component | Range (PSF) | Applicability | Transaction Size(s) - SF | Size(s) |
|---|-----------------------------|--|--------------------------|-------------------------------|
| Renovation (Existing Asset) | \$50-60 PSF | Recurring renovations to create space for ERS staff | 100,000 SF | \$5-6M |
| New Construction (Floor Addition or Annex Addition) | \$225+PSF | Addition to accommodate staff | 20,000 - 35,000 SF | ~\$6-8M |
| New Construction (Core & Shell) | \$125-\$150 | Developer or ERS led - new building to replace Annex | Up to 260,000 SF | TBD |
| New Construction (Interior/Tenant Improvements) | \$60-\$75 | Developer or ERS led - to attract tenants | Up to 260,000 SF | TBD |
| Structured Garage | \$15,000-\$20,000 per space | Developer or ERS led - to attract tenants | Up to 360 spaces | TBD |
| Subterranean Garage | \$25,000 per space | Developer or ERS led - to attract tenants | Up to 800 spaces | TBD |
| Lease - Downtown | \$35-45+PSF | Temporary or in perpetuity, to accommodate ERS staff | ~10,000 SF | \$350,000 + annually |
| Lease - Suburbs / Class B | \$20-25 PSF | Temporary or in perpetuity, to accommodate ERS staff | ~10,000 SF - 111,000 SF | TBD |
| Ground Lease Revenue | 4-8% payment of land value | Potential revenue for ERS | Entire half block | \$8-10M NPV (Upfront payment) |

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Examples of Transaction Structures



| | |
|--------------------------------|---|
| | Status Quo |
| Description | Remain in place, no changes |
| Program | 128,000 SF (Occupied) Insufficient Space |
| Parking | Unsolved; pursue agreement with TFC |
| Ownership Structure Strategy | N/A |
| Risk | Space Insufficiency |
| Total Cost | \$15-18M |
| Occupancy Key Date(s) | N/A |

| | |
|--------------------------------|---|
| | Redevelop – Option 1 |
| Description | 3-5 year relocation; upgrade existing building; enclose glass atrium; potentially add floors and new wing |
| Program | ~400,000 GSF Extra-sufficient space; expansion rights |
| Parking | Unsolved; pursue agreement with TFC, slight increase in current space count |
| Ownership Structure Strategy | Subdivide site; ground lease half-site |
| Risk | Execution Headline |
| Total Cost | \$7-25M |
| Occupancy Key Date(s) | 3-5 Year Process – Completion 2020 |

| | |
|--------------------------------|---|
| | Redevelop – Option 3 |
| Description | 3-5 year relocation; construct new parking garage and two new buildings |
| Program | ~535,000 GSF Surplus SF; Efficient |
| Parking | Solved; construct ~700 spaces of subterranean structured on site |
| Ownership Structure Strategy | Subdivide site; ground lease half-site |
| Risk | Execution Headline |
| Total Cost | \$40-50M+ |
| Occupancy Key Date(s) | 3-5 Year Process – Completion 2020 |

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Conclusions



- Workplace Strategies | Program
 - Staffing levels and growth require action
 - Execution of workplace strategies will enhance service delivery, “right-size” utilization, and allow for greater efficiency and effectiveness.
- Occupancy Strategy | Refine Scenario
 - Redevelop site to provide parking and maximize density
 - Allows ERS staff and clients to avoid all or some of the construction years and associated risks
 - Maintains existing ERS building and client service space on site.
- Site Due Diligence
 - Engage resources to review structural / geo-tech
 - Formal Cost Estimates
- Refine Scenarios
 - Refine timing/phasing
 - Refine potential transaction structures
 - Explore adding floors to either building
- RFP | Developer / Market Engagement

Questions?