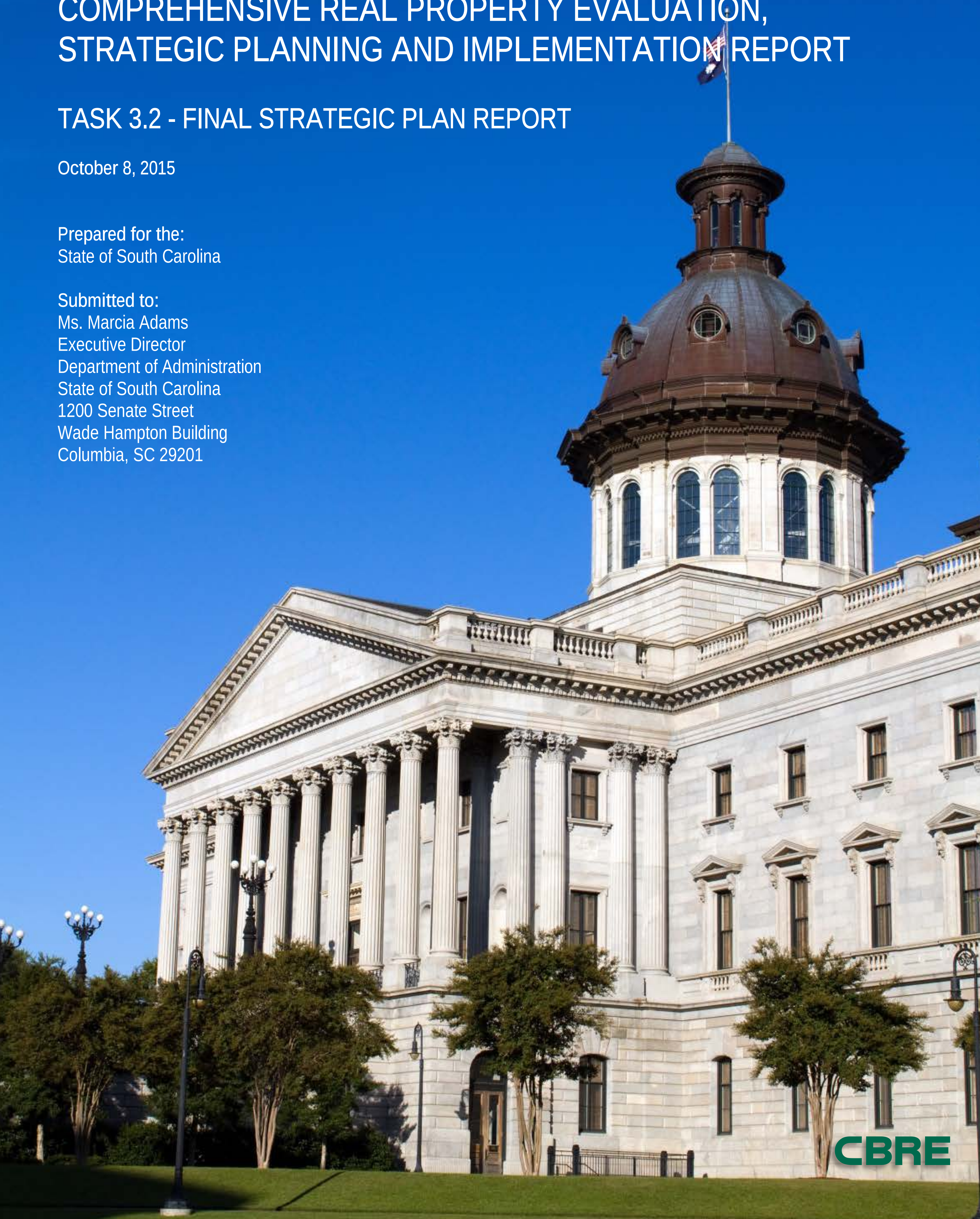
COMPREHENSIVE REAL PROPERTY EVALUATION, STRATEGIC PLANNING AND IMPLEMENTATION REPORT

TASK 3.2 - FINAL STRATEGIC PLAN REPORT

October 8, 2015

Prepared for the:
State of South Carolina

Submitted to:
Ms. Marcia Adams
Executive Director
Department of Administration
State of South Carolina
1200 Senate Street
Wade Hampton Building
Columbia, SC 29201



CBRE

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COVER LETTER

October 8, 2015
Ms. Marcia Adams
Executive Director
Department of Administration
State of South Carolina
1200 Senate Street
Wade Hampton Building
Columbia, SC 29201

Re: Comprehensive Real Property Evaluation Strategic Planning and Implementation Strategic Plan Report

Dear Director Adams:

On behalf of the CBRE team, we are pleased to submit this Strategic Plan for the Real Property Evaluation project. This plan outlines key strategies to improve the State's real estate portfolio.

The least expensive real estate the State has is that which it does not own or manage. CBRE, through work with our subcontract partners, has identified ways in which the State can own and occupy less real estate as well as eliminate redundant functions in the portfolio through centralized management and decision making. State agencies should be focused on their core mission and citizen service and real estate should support their core mission. Our report outlines ways in which the State can achieve cost savings and leverage real estate assets to either raise money or reinvest in long term strategic assets.

On behalf of the CBRE team, we want to thank the Department of Administration staff and all State agencies who have participated in this important project. The Department of Administration and agency staff members have made the project a priority and without their cooperation, we could not have accomplished the deliverables in such a condensed timeframe. Thank you for the opportunity to serve the State of South Carolina on this important initiative.

Sincerely,

LeeAnn Korst

Lee Ann Korst
CBRE, Inc.
First Vice President
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PREFACE

FACILITIES PLAN PARTICIPANTS

The following report has been prepared through a collaborative effort between CBRE, the Department of Administration and staff from the many departments and agencies who occupy space. Primary participants involved in the completion of this study include:

STATE OF SOUTH CAROLINA – PRIMARY PARTICIPANTS	
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EXECUTIVE SUMMARY

EXECUTIVE SUMMARY

PORTFOLIO PROFILE

The State of South Carolina's Real Estate Portfolio ("the Portfolio") consists of:

- More than 2,500 parcels of land
- Over half a million acres of land
- Approximately 7,800 buildings
- More than 81 million square feet of improvements (buildings)

While the Department of Administration has oversight of the Real Estate Portfolio, it does not directly manage or control many buildings that fall under the occupying agencies' purview. It is important to note that numerous agencies and departments directly control and operate their real estate.

PROPERTY PORTFOLIO DETAILED REVIEW

State-Owned Property Review
- Searched Assessor records in all 46 counties
- 138 Operation & Maintenance (O&M) Surveys

Facility Condition Assessments
- 150 properties
- 5,624,278 square feet

It should also be noted that the current state of real estate operations is similar to many other public and private sector organizations. They have had a historical focus on the delivery of goods and services to their constituents and real estate has often been viewed in a supporting role versus a factor that can be used to drive productivity and reduce costs. The recommendations in this report reflect opportunities to proactively manage the State's real estate portfolio and as a major component of organizational change.

PRIMARY PORTFOLIO RECOMMENDATIONS

The following strategies highlight the primary recommendations that improve the State of South Carolina's asset utilization and enhance overall quality of space, while reducing the overall occupancy costs. The recommendations have three primary areas of focus:

A. Reduce Square Footage of Occupied Space in Leased and Owned Facilities

B. Centralize Real Estate Management Under the Department of Administration

C. Upgrade Tools, Processes and Technologies

These three focus areas address all aspects of real estate operations and management including staffing, capital investment and expenses as well as their impact on portfolio and property level decisions.

A. REDUCE SQUARE FOOTAGE OF OCCUPIED SPACE IN LEASED AND OWNED FACILITIES

1. SELL FUNCTIONALLY OBSOLETE/ SURPLUS BUILDINGS AND LAND

Sales efforts should focus on the unsold properties list and identification of non-Mission Critical assets, as no unidentified properties were found during the extensive database review process (see Page 60). Selling obsolete and surplus properties will enable the State to reallocate proceeds and operating capital back into the portfolio.

- Benefits
  - Reallocates money spent on obsolete and surplus properties toward Mission Critical assets that remain in the portfolio
  - Returns property to local government tax roles
  - Eliminates expenses for operating unneeded properties
  - Avoids the cost of capital repairs on buildings that are sold –Estimated savings of $30.42M on a list of 8 properties recommended for sale
  - Additional properties may be disposed of through public-private partnerships (see Portfolio Strategy #6 on page 9)

STRATEGY IMPACT PROPERTY SALES – 8 PROPERTIES

$ 30.42M Cost Avoidance and Capital Expenses

CBRE estimates that $30.4M in capital expenses would avoid through the sale of 8 properties

EXECUTIVE SUMMARY

- Through completion of this study the following properties have been identified for disposition (all in Columbia except as noted):

– Rutledge Building – 2221 Devine St. – 1800 Gervais St.	– 8500 Farrow Road * – 3150 Harden St. * Possible Public-Private Partnership	– 706 Pendleton St. Greenville – 364 S. Church St. Spartanburg	– 519 Monument St Greenwood

- Ongoing Action Items:
  - Assist agencies in identifying assets that are not Mission Critical and can be made available for sale – See Disposition Evaluation Model –Appendix Page 50
  - Develop budgets and secure funding for agency relocation costs
  - All State and agency properties in the database have been identified and confirmed. The Department of Administration is working with DOT to reconcile any anomalies.

2. EMPLOY PRIVATE SECTOR METHODS TO FACILITATE PROPERTY SALES

The State has had mixed success in the sale of surplus properties. Realigning a few steps in the process will enable the sale of properties in a timely manner.

- Benefits
  - Breaks backlog of outdated policies and restrictive legislative process
  - Facilitates more expeditious sale and revenue generation
- Action Steps
  - Delegate decision making authority to the Department of Administration concerning terms, timing and price within a pre-approved set of guidelines including cases where the valuation pricing approaches or exceeds the market sale proceeds
  - Revise appraisal process to provide flexibility regarding overvalued appraisals during periods of declining market prices.
  - Use Broker Opinion of Value to price properties in static markets where appraisal methodology is more difficult to apply
  - Consider auctions, packaged bids and other forms of sale to generate offers
  - Sell property "as is" if possible, but consider funding asbestos removal, demolition, etc. to enhance buyer interest

STRATEGY IMPACT
PROPERTY SALES – 3 KEY PROPERTIES

$5.6M Property Sale Proceeds
CBRE estimates that the Rutledge Building, 2221 Devine Street, and 1800 Gervais Street alone could generate $5.6M in sales proceeds.

3. REINVEST ALL PROCEEDS FROM AGENCY PROPERTY SALES AND OPERATIONAL SAVINGS BACK INTO AN AGENCY'S REAL ESTATE PORTFOLIO

- Benefits
  - Immediately provides capital to repair buildings with substantial deferred maintenance
  - Reduces long-term costs through reinvestment of capital into strategic assets and critical infrastructure that if not maintained, may cost dramatically more in the future to repair or replace
- Action Steps
  - Revise legislative guidelines to require that all agency sale proceeds are reinvested into an agency's real estate portfolio
  - Enact legislative and budget changes to obtain adequate capital funding to support portfolio reinvestment

4. REDUCE STATEWIDE FOOTPRINT OF LEASED AND OWNED FACILITIES BY ENFORCING REVISED SPACE STANDARDS

At present – no uniform space standard for office space is applied throughout the State. This has occurred for a variety reasons over many decades and administrations. As a consequence, in some cases the State occupies more space than is necessary to perform business functions. In others, not enough space is available to provide for State employee and customer service needs. Revising and enforcing space standards will right-size the portfolio.

EXECUTIVE SUMMARY

- Benefits
  - Eliminating excess space will provide the greatest opportunity for cost savings
  - Revising space standards will reduce the State's occupied footprint in all new and remodeled space
  - Action Steps Peer states have generally achieved space savings of at least 20% of the portfolio. A 25% reduction from the 5.6 MSF reviewed would reduce the primary office portfolio to 4.2 MSF
- Action Steps
  - Immediately adopt the recommended space standards to re-size all pending and future requests for space (Noted below
  - Establish a Space Utilization Form as a tool for agencies to space plan and DGS approval

STRATEGY IMPACT
SPACE STANDARDS REDUCTION
SAVINGS

18% - 25% SF Reduction
CBRE and Gensler have estimated that South Carolina could reduce the square footage of its primary office portfolio by 18% -25 % if revised space standards are put into place. This is similar to other states that have gone thru this process. Achieving a 25% reduction will drive more significant savings.

Standard Workstation 48 SF	Small Workstation 25 SF	Executive-Level Office 180 SF	Standard Office 120 SF

5. RETROFIT MISSION CRITICAL AND LEGACY FACILITIES TO IMPROVE SPACE QUALITY, UTILIZATION AND BUILDING PERFORMANCE

Right-sizing the portfolio through consolidation and collocation of agencies will accelerate the need to identify Mission Critical facilities and necessitate remodeling to improve space quality, utilization and building performance. Many of these facilities are historic properties or in primary locations for government. They also have aging systems and layouts that will need to be upgraded to accommodate additional workers in functional space.

- Benefits
  - Immediately improves existing facilities that are considered Mission Critical and must remain in the State portfolio
  - Enables the implementation of revised space standards which will reduce the overall occupied square footage
  - Creates more modern, efficient work area that will enhance productivity, recruiting and employee retention
- Action Steps
  - Commission a renovation study of the Capitol Complex
    - Retain design/engineering firm to address building requirements, develop phasing and prepare cost and capital plans
    - Implement new space utilization standards
    - Use initial remodeled spaces as a pilot for staff buy-in and implementing best practices as well as lessons learned

STRATEGY IMPACT
FOUR PROJECTS
RENOVATION/CONSOLIDATION

$ 32,400,000 NPV Savings
Four identified renovation/ consolidation projects located in Columbia, Charleston and Greenville produced $32.4 M in savings when evaluated using the Financial Analysis Model - See Page 19.

6. EVALUATE PUBLIC PRIVATE PARTNERSHIPS AS A SOURCE OF FUNDING FOR TRANSFORMATIONAL SPECIAL PROJECTS

Government officials are facing budget pressures, revenue shortfalls, increased service demands, staff shortages and heightened public scrutiny. Because real estate costs necessarily comprise a large percentage of available operating capital, officials have every incentive to approach real estate decisions strategically and with an eye towards maximizing all allocated dollars.

As such, Governments are increasingly turning to public-private partnerships, sometimes referred to as a "PPP" or "P3", as a means of cost-effectively and efficiently accomplishing capital projects. South Carolina may be able to use this approach as a means to accomplish several challenging projects.

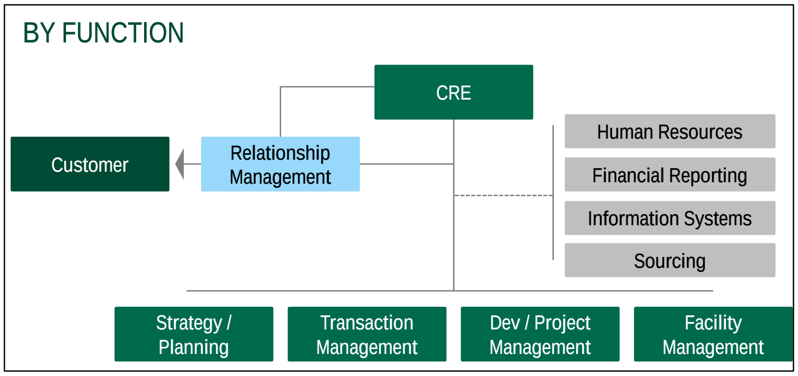
- Benefits
  - Transfers development risk from the public to the private sector
  - Reduces upfront capital burden and can generate revenue, while redeveloping non-performing assets
  - Enables government to tap best practices in the private sector (markets, construction, finance)
- Action Steps
  - Evaluate funding sources including consideration of alternative finance strategies and public-private partnerships
  - Evaluate structure and feasibility of the following special projects using public private partnerships:

– South Carolina Museum	– DHEC HQ	– 900 Main Street	– 8500 Farrow Road	– SLED
Use tax credits & P3 financing to improve space & fix deficiencies	Modernize facility to "attract and retain talent" and improve operational efficiency	Solve Capital Complex parking shortage and capitalize on higher and better use	Consolidate existing uses into a portion of the site and sell excess for private redevelopment	Use P3 strategy to build and maintain specialized facilities

B. CENTRALIZE REAL ESTATE MANAGEMENT UNDER THE DEPARTMENT OF ADMINISTRATION

7. CONSOLIDATE ALL REAL ESTATE MANAGEMENT AND REPORTING FUNCTIONS UNDER THE DEPARTMENT OF ADMINISTRATION

The current decentralized facilities management model creates problems in ongoing asset preservation, maintenance and management of State facilities. The structure of a high performance real estate group should include key attributes that have been used successfully in other organizations including 1) Centralized control and decision making, 2) Operational excellence as a primary goal of the real estate operations, 3) Strategic alignment with markets: real estate, capital, supply-chain and a 4) Strong governance model for both internal and outsourced services and requirements.



- Benefits
  - Centralizes control and decision making
  - Better control of spending and vendor management
  - Creates central source of all property information improving data integrity
- Action Steps
  - Restructure and centralize all real estate functions to improve operating efficiencies, cost controls and job functions
  - Identify and evaluate job descriptions for all personnel involved in the management, operations, acquisition, disposition, repairs and financial tracking of real estate
  - Develop Key Performance Metrics (KPI) to track performance and lead to improved operations and lower costs

8. PERIODICALLY CHANGE THE INTERNAL STATE LEASE RATE TO REFLECT TRUE BUILDING COSTS

The current State rental rate of $11.29 per square foot has not changed in recent years. The internal lease rate should be matched to actual operating/maintenance expenses, deferred maintenance and capital costs and benchmarked on a periodic basis to provide an adequate level of funding to maintain facilities in a steady state of repairs.

The Facilities Condition Assessments of 5.6 million square feet (MSF) of property revealed that 2.1 MSF or 38.8% of buildings were in poor or critical condition. The rate needs to be changed gradually to cover capital and maintenance costs. The Legislature should provide an infusion of capital in the near term to fix major deferred maintenance items because a gradual increase in the internal rental rate will be insufficient to catch up to necessary repairs.

- Benefits
  - Recovers true cost of building ownership and occupancy
  - Proactive repairs will lower the year-over-year costs
  - Realistic budgets help anticipate and avoid large repairs
- Action Steps
  - Given the rent increase that would be required to recover all expenses, create and fund a capital plan that addresses current deferred maintenance
  - Develop an acceptable rental rate that reflects operating and capital costs and is subject to periodic (e.g. annual) adjustment. (Note that this should be a number derived from portfolio averages so that agencies housed in less efficient buildings are not penalized).

9. DEVELOP A PROCUREMENT MODEL THAT INCLUDES: AN ENHANCED SCEIS PORTAL, A SHARED SERVICES MODEL AND CENTRALIZED VENDOR MANAGEMENT TO LEVERAGE THE STATE'S BUYING POWER

The State has an effective procurement strategy that allows it to purchase selected goods and services statewide and in joint bids with other government entities including states. However, following Procurement guidelines and vendor selection policies, agencies can spend money and hire vendors through lump sum contracts (not broken out) or with contractors that are not visible to the Procurement office. Many agencies solicit their own contracted services, even for services in the same city as another agency. Some agencies make an effort to use the services provided by other agencies, but the initiative is inconsistent and not centralized.

- Benefits
  - An SCEIS Portal will ensure all agencies use the same procurement framework
  - Consistent and improved vendor performance will result from a managed system
  - Larger contract value will drive pricing down
  - Estimated annual savings for select, consolidated statewide operations and maintenance services across the State is $35.3 million
- Action Steps
  - Develop SCEIS vendor portal
  - Implement procurement requirements that impact vendor selection and management

STRATEGY IMPACT - OPERATING EXPENSE SAVINGS

CBRE prepared an operating expense analysis of nearly 5,000,000 square feet of South Carolina space and benchmarked the data with a 2014 dataset from a "Similar State" portfolio. CBRE believes that the "Similar State" data of $6.03/ Square Foot provides the best basis for comparison of expenses.

The Department of Administration portfolio (formerly Budget & Control Board) had an expense average of $7.66/SF in 2014. While this is above the "Similar State" average of $6.03/SF it is substantially below the portfolio average of $13.16 and helps to illustrates the benefit of centralized portfolio management.

Using similar state as a basis for comparison, the CBRE Team estimates that there is a potential of $35.3 million in savings available across the state portfolio.

Note: This estimate should be used for planning purposes only. It should be noted that some of the available state data was comingled, assigned to other cost centers or derived from estimates.

C. UPGRADE TOOLS, PROCESSES AND TECHNOLOGIES

10. IMPLEMENT AN INDUSTRY RECOGNIZED CHART OF ACCOUNTS FOR PROPERTY MANAGEMENT

Currently, real estate management, costs and functions are decentralized and maintained by many different departments and tracked using a variety of methods. The Department of Administration manages many owned buildings, but some agencies also self-manage buildings, The current structure has morphed over time and resulted in the decentralized structure currently in-place.

In addition to managing real estate activities, some agencies oversee the planning for real estate requirements including location decisions and overall occupancy standards. When payment for space is accounted for within departmental budgets, there is often no higher level strategic plan that establishes, determines and enforces occupancy cost reduction. Expenses are currently not tracked in a meaningful way to break-out expenses by category or by building and agency.

CHART OF ACCOUNTS EXPENSE CATEGORIES

- Administrative Costs
- Cleaning
- Repairs & Maintenance
- Utilities
- Security
- Roads & Grounds

- Benefits
  - Understanding what the State pays by expense category, per square foot, enables identification of cost savings opportunities
  - Allows for more accurate budgeting by separating real estate expenses from other agency expenses
- Action Steps
  - Establish real estate, IT and accounting working group to begin process of account set-up
  - Evaluate tools and training required to implement revised accounting

11. INTEGRATE AND EXPAND THE EXISTING TECHNOLOGY PLATFORMS TO IMPROVE PROPERTY MANAGEMENT PERFORMANCE

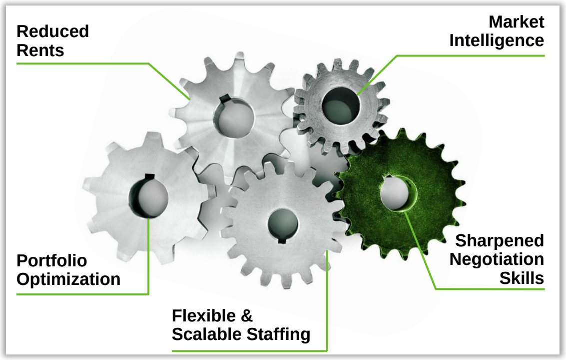
From an information perspective, property portfolios are managed by the Department of Administration, separate agencies and other entities such as universities. One overall source of information for all state properties that tracks spending, capital costs and staffing, does not exist.

Several different systems, the SCEIS – South Carolina Enterprise Information System (SAP enterprise software), Tririga (a facilities management program) and others, contain key data, but no single source captures all information. In addition to the lack of a single source, data is often not readily available when and where it is needed by various user groups such as field technicians, accounting groups and real estate managers.

- Benefits
  - An integrated technology platform will leverage the skills and efficiency of all real estate staff
  - A more efficient IT platform can reduce cost and errors, while enhancing decision making and extending staff capabilities
  - Creating tracking metrics will allow for portfolio benchmarking
- Action Steps
  - Evaluate existing IT resources currently in use and identify gaps
  - Implement IT solution for databases, staffing, processes, procurement and vendor contracts
  - Centralize real estate information functions spread across many agencies that self-perform facilities management
  - Determine resources required to assess the best systems and interface between TRIRIGA, SCEIS and other facilities software currently in use with, a proposed Computerized Maintenance Management System (CMMS).

12. DEVELOP SKILLS, TRAINING, TOOLS AND PROCESSES TO ENHANCE PORTFOLIO PERFORMANCE

Successful roll-out of the Strategic Real Estate Plan requires a thorough review of staffing, training, tools and processes. Doing so will determine gaps that hinder implementation.



- Benefits
  - Developing people and platform will enable the portfolio plan to advance with minimal disruption
  - Better training will enhance and leverage employee skills
  - Defined processes will ensure tasks are completed on a timely basis
- Action Steps
  - Evaluate the current skills and gaps of existing real estate staff
  - Identify training programs that enhance staff performance
  - Implement industry proven processes for routine maintenance and day-to-day functions
  - Realign staff with processes and tasks

13. UTILIZE THE 30 YEAR FACILITIES CONDITION ASSESSMENT (FCA) DATA TO IMPLEMENT LONG TERM CAPITAL EXPENSE PLANNING FACILITY CONDITION ASSESSMENTS (FCA) ARE A BEST PRACTICE APPROACH TO IDENTIFY THE OVERALL CONDITION OF BUILDING ASSETS. THE FCA PROCESS HELPS TO IDENTIFY DEFERRED MAINTENANCE NEEDS AND CREATES THE BASELINE BY WHICH FUTURE EXPENDITURES CAN BE FORECAST.

- Benefits
  - Long-term capital planning will help the Department of Administration and the Legislature better align funding with facilities repair and improvement requirements
  - Proactively addressing capital requirements will reduce reactive repairs and maintenance needs and costs
- Action Steps
  - Develop a preventive maintenance plan, budget and schedule for all Mission Critical facilities using the data from recently completed FCA's
  - Identify budget priorities over the next 10 years to determine the timing and magnitude of required capital expenses
  - Prepare a capital spending plan for legislative review and funds authorization

REDUCE SQUARE FOOTAGE OF OCCUPIED SPACE

A. REDUCE SQUARE FOOTAGE OF OCCUPIED SPACE IN BOTH OWNED AND LEASED FACILITIES

South Carolina's real estate portfolio has evolved over time (i.e. different administrations, changing programs and service delivery models, funding issues, etc.). This changing dynamic necessitates a constant portfolio realignment to keep up with the needs and customer service delivery model of each agency. Space can be reduced or eliminated by implementing the following major initiatives:

- Sell functionally obsolete and/or surplus buildings and land
- Streamline the disposition process to facilitate property sales
- Establish and enforce space standards in leased and owned facilities – Consolidate and collocate to backfill remodeled space
- Using funds from disposition proceeds and operational savings, retrofit mission critical or legacy facilities to improve quality and utilization

1. SELL FUNCTIONALLY OBSOLETE BUILDINGS AND SURPLUS LAND

South Carolina has significant real estate holdings. The purpose of this section is to discuss how and when the State should consider disposing of assets and the means by which those assets should be evaluated and sold.

It is important to recognize that certain buildings are Mission Critical or "Legacy" buildings that will never be sold. In addition, lands that have been reserved for conservation and environmental reasons will also remain under the State's stewardship in perpetuity.

CBRE recommends the following initiatives to "right-size" the State of South Carolina portfolio:

- Develop criteria to identify underperforming assets
- Identify "Mission Critical or "Legacy" leased and owned locations
- Eliminate underutilized and obsolete locations to reduce expense
- Identify vacant space through regular facility inspections
- Recapture underutilized space for use by others
- Create "government centers" by consolidation/collocation to create efficiencies
- Focus on the "Capitol Complex" for first major renovation/consolidation project
- Eliminate costly leased locations when owned space is made available
- Dispose of surplus land when not critical to State operations, environmental or conservation uses

DISPOSITION EVALUATION CRITERIA

CBRE has developed a Disposition Evaluation Criteria Model that can be used to establish whether a property is a candidate for disposition.

- Through a series of diagnostics, the State can work with agencies to determine if a property is Mission Critical and used to its Highest and Best Use and if not, whether additional capital should be deployed to improve the asset or the asset should be disposed of by lease, sale or other means.
- Agencies need to be trained and required to routinely review their portfolios
- This model is further outlined in the Appendix - Page 50.

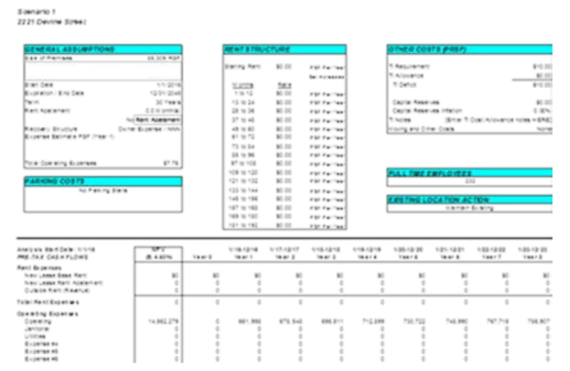
REDUCE SQUARE FOOTAGE OF OCCUPIED SPACE

PRIMARY INITIATIVE

Sell Functionally Obsolete Buildings

As CBRE and our partners Gensler Architects and Cardno Engineering toured buildings throughout the State, it became apparent that many of the facilities were underutilized, in need of significant capital investment or functionally obsolete.

FINANCIAL ANALYSIS SCREENSHOT



- These buildings could be sold or leased to:
  - Generate Revenue
  - Place property back on the tax roles
  - Eliminate future capital and operating expenses for obsolete buildings that are sold – "Cost Avoidance"
  - Eliminate ongoing ownership liability (e.g. slip and falls)
- Timing: Sales could begin immediately for vacant properties and within 12 -18 months where relocation strategies are required
- Cost: Dependent on the number of assets sold and price. Disposition costs include and the cost to prepare a property for sale including repairs to make the property marketable (such as demolition). These costs can typically be offset by sales proceeds.

PROPERTIES IDENTIFIED FOR POTENTIAL SALE

PROPERTY	PROJECTED SALES PRICE	ANALYSIS
1800 Gervais St., Columbia, SC	$750,000 - $1,000,000	High deferred maintenance
Rutledge Building, Columbia, SC	$2,500,000 - $3,500,000	Inefficient space; high deferred maintenance and operating costs
2221 Devine St., Columbia, SC	$1,500,000- $2,600,000	High deferred maintenance
8500 Farrow Road., Columbia, SC	TBD	Portfolio of buildings that is historic. Environmental issues. Many are ineffective for their current use. Possible Public-Private Partnership.
3150 Harden St., Columbia, SC	TBD	Consider sale or reuse as part of agency building plan to consolidate operations
706 Pendleton St., Greenville, SC	TBD	Inefficient use of space
519 Monument St., Greenwood, SC	TBD	High deferred maintenance; low Facility Condition Index (FCI)
364 S. Church St., Spartanburg, SC	TBD	Low Facility Condition Index (FCI); Low mission score

REDUCE SQUARE FOOTAGE OF OCCUPIED SPACE

Evaluating Major Capital Expenditures Using the Financial Analysis Model

CBRE has developed a Financial Analysis Model to evaluate buildings that are thought to have outlived their useful life, need major renovations and result in new construction. This model compares the current cost to operate in a given location to available alternatives including:

- Renovate and reoccupy the existing or other State facility to new space standards
- "Build to Suit" a new replacement facility
- Lease space available in the market

The following opportunities were evaluated using the Financial Analysis Model. Preliminary estimates for savings from the implementation of these four projects are $32.4 million. These results confirm that South Carolina should advance these projects to a planning phase to confirm the savings and identify additional opportunities for potential execution.

DISPOSITION , RENOVATION, AND CONSOLIDATION OPPORTUNITIES	
252 South Pleasantburg Drive, Greenville, SC • Renovate and densify the building currently occupied by DOT in Greenville • Net Present Value Model • Current Conditions: $25,953,204 • Renovated Scenario: $16,007,890 • NPV Savings: $9,945,314	Consolidate Charleston offices into Build-to-Suit • Consolidate various operations into a newly built office building on state owned land • Net Present Value Model • Current Conditions: $30,554,574 • Renovated Scenario: $24,973,168 • NPV Savings: $5,581,406
Renovate Mission Critical Owned Property to Gensler Space Standards — Sell 2221 Devine St • Relocate tenants from 2221 Devine St., 1800 Gervais St., and other leased space to renovated owned space • Net Present Value Model • Current Conditions: $50,714,767 • Renovated Scenario: $38,201,236 • NPV Savings: $12,513,531	Renovate Mission Critical Owned Property to Gensler Space Standards — Sell Rutledge Building • Relocate Department of Education from the Rutledge Building to renovated owned space • Net Present Value Model • Current Conditions: $40,336,681 • Renovated Scenario: $35,935,534 • NPV Savings: $4,401,147
Strategy Impact – Estimated NPV Savings From Consolidation Opportunities: $32,400,000	

PRIMARY INITIATIVE

Capture Revenue From Underutilized Land Sales

CBRE's scope of work included inventorying and cataloguing owned real property throughout the State. These properties were acquired for a variety of reasons over decades (sometimes centuries) going back to earliest formation of the State. As State Agencies focus their mission on service delivery to constituents and fiscal responsibility, property should be evaluated to determine its contribution to the greater good. This "greater good" could be operational and administrative needs, economic development, transportation and industry, conservation, environmental concerns or recreation.

After reviewing over 11,000 entries it is believed that some of these properties should be declared surplus and sold. This will have multiple benefits including a capital infusion to the State treasury, reduction of maintenance expense, ongoing tax revenue and in some cases, making the property available for economic development.

CBRE recommends that all agency property sale proceeds are reinvested into an agency's mission critical or legacy assets.

REDUCE SQUARE FOOTAGE OF OCCUPIED SPACE

2. EMPLOY PRIVATE SECTOR METHODOLOGY TO FACILITATE PROPERTY SALES

Revise disposition process to address issues that slow or stop the sale of properties due to approval requirements and market valuation. While the identifying properties that are underutilized will quickly move them to the surplus list, unless we can then sell those properties, there is no benefit to the State. It is important that the State be able to respond to offers for sale quickly and that decisions about asking prices and net proceeds consider what is standard in the private market.

- Change disposition steps to streamline the disposition process for State assets
  - Revise process to grant a committee the authority to make decisions concerning terms, timing and price within a pre-approved set of guidelines
  - Address issue of response to overvalued appraisals during periods of declining market prices

Set a Market Price

- Upon a property being declared surplus, the State should request an appraisal
  - The appraisal should take into consideration the “as-is” condition of the property including:
    - Current Zoning
    - Current environmental condition
    - Current availability of utilities
    - Other property conditions
  - The appraiser should be MAI and state certified with at least ten years of experience
  - Revise appraisal process to provide flexibility regarding overvalued appraisals during periods of declining market prices.
- Along with an appraisal, the state should request a broker opinion of value (BOV)
  - An appraisal takes into account the history of similar properties and the current condition of a property
  - The broker’s opinion of value will take into account the highest and best use for the property and the most likely sales price
  - Use Broker Opinion of Value to price properties in static markets where appraisal methodology is more difficult to apply
- Following receipt of both documents, a marketing price should be set as well as a likely sales price
  - This acceptable sales price should be approved by Administration, and the required committees in the case of properties over $1,000,000 before taking the property to market
  - A list price is required by state law for a third party to market a property
- Administration should have authority to adjust pricing (based on a pricing threshold < $1.0 M) in the event new information is discovered including, but not limited to:
  - Changing market conditions
  - New environmental information
  - Cases where the valuation pricing approaches or exceeds the market sale proceeds
  - Sell property “as is” if possible, but consider funding asbestos removal, demolition, etc. to enhance buyer interest
  - Consider auctions, packaged bids and other forms of sale to generate offers

Contract Timing

- Each transaction is unique, and the Department of Administration needs the discretion to amend the typical contract timing of a property sale
- Recommend that a buyer be given time to address sale contingencies including environmental issues, voluntary cleanup contract, no further action letters and zoning changes which could significantly impact value

REDUCE SQUARE FOOTAGE OF OCCUPIED SPACE

3. REINVEST ALL PROCEEDS FROM AGENCY PROPERTY SALES AND SAVINGS ACHIEVED FROM ENHANCED BUILDING OPERATIONS BACK INTO AN AGENCY'S REAL ESTATE PORTFOLIO

Like many state and local governments the State of South Carolina has limited resources to improve all of the facilities in its portfolio. A long-term approach to refurbishment needs to be considered.

Cost Avoidance

A major source of available funds can be generated from savings in capital and operating expenses from assets that are sold or leases vacated. This is referred to as cost avoidance. Current and future capital and operating costs can be reallocated from a surplus facility to real estate that will remain in the State's portfolio. Cost avoidance for state facilities will be realized in one of two ways:

- Eliminating unwarranted capital expenditures
  - In many cases, the State has continued to repair or maintain facilities that have outlived their useful life. Often these buildings no longer meet the operational or service delivery needs of the State but agencies and departments elect to stay in place. This may be because no other better facilities are available; no funds are available to pay for relocation; or simple inertia (difficulty moving). Expensive capital improvements are then made depending on criticality (boiler failure, roof leaks, window replacement, etc.).
  - Recognizing many buildings may have outlived their useful lives, CBRE recommends that the State not continue to invest in functionally obsolete buildings – but invest in alternative facilities (leased or owned) that will better serve the needs of the State at lower cost. The Financial Analysis Model described above will assist in determining those facilities that warrant continued investment or not.
- Reducing maintenance costs for A) old and inefficient buildings and B) surplus land
  - In addition to the revenue generating potential of selling surplus properties, it is important to note the cost avoidance associated with selling surplus assets. For example, the following costs would no longer be required:
    - Insurance
    - Maintenance (operational and deferred)
    - Utilities
    - Liability (e.g. slip and falls)

PRIMARY INITIATIVE

Reinvestment of Capital and Savings From 1) Building and Land Sales and 2) Cost Avoidance

- CBRE recommends that all agency building and land sale proceeds be re-invested into an agency's owned facilities
- Capital and operating budgets for sold or vacated assets should be redirected where possible to fund portfolio improvements
- Funds could be used for planning, capital investment, move costs, technology, etc. Where operational savings are achieved, those savings should be redirected to the Department of Administration for statewide facility improvements versus returned to each agency's operating budget
- Timing: Full implementation requires changes in legislation
- Cost: This recommendation reflects a change in funds allocation and does not have a cost attached to its implementation

REDUCE SQUARE FOOTAGE OF OCCUPIED SPACE

Sample Capital Expense Cost Avoidance From the Sale of Selected Properties

The following chart depicts a sampling of revenue that may be generated from 1) the sale of functionally obsolete facilities and 2) the savings realized by elimination of unjustifiable capital investment. Note that operating expense cost avoidance will also produce savings when agencies move from less efficient to more efficient buildings. These savings can be calculated when agencies move.

STRATEGY IMPACT - CAPITAL EXPENSE COST AVOIDANCE SAVINGS

CBRE prepared a capital expense analysis of 8 properties that could be sold. Estimated savings from capital costs avoided through 2020:

Capital Expenses & Deferred Maintenance $ 30,420,000

Note: This estimate should be used for planning purposes only. It should be noted that some of the available state data was comingled, assigned to other cost centers or derived from estimates.

The following table highlights strategies for reducing the overall real estate footprint.

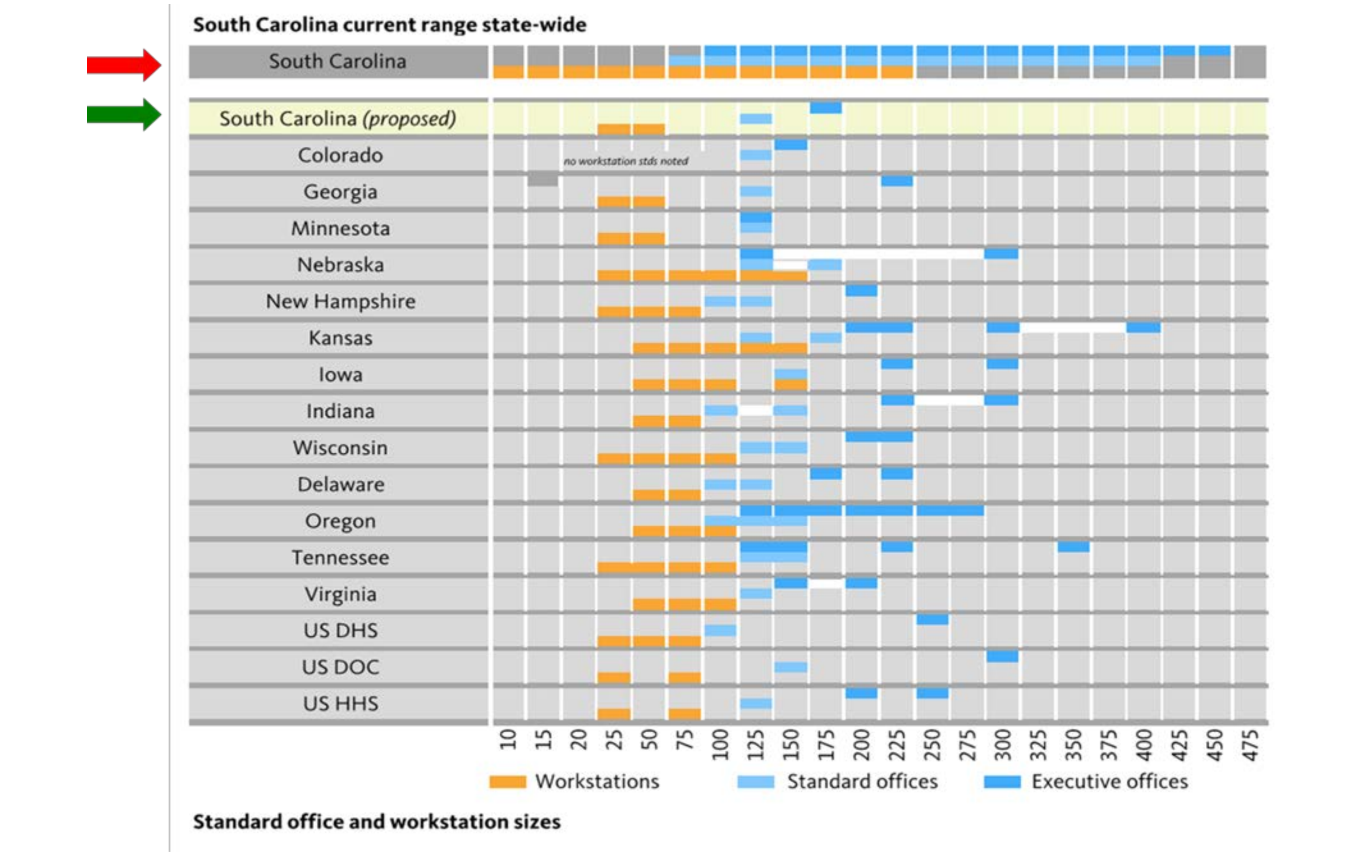
PORTFOLIO ALIGNMENT SUMMARY		
CURRENT STATUS/OBSERVATIONS	RECOMMENDATION	BENEFITS
• Some SC space is poorly maintained, high cost (CapEx/ OpEx) and underutilized • Deferred maintenance is growing at many locations	• Identify underperforming assets that are not Mission Critical or needed for the delivery of services • Sell poorly performing and surplus owned assets	• Reduction in maintenance costs • Reallocates capital for repair and replacement of core facilities • Allows reallocation of staff resources
• Many state functions are spread across widely dispersed facilities	• Identify core facilities in central locations • Backfill and improve primary state buildings at core campuses • Focus on Capitol Complex first	• Higher space utilization rates • Improved occupancy cost metrics
• No consistent strategic planning process to reduce space footprint	• Develop processes to match supply and demand for space	• Matches space need with availability • Better tracking for space dispositions
• Possible surplus land parcels statewide	• Identify property that can be declared surplus • Modify disposition process to facilitate market sale	• Generates revenue • Puts property on tax roles • Eliminates ongoing maintenance
• Excess inventory of furniture, equipment and supplies spread throughout many facilities	• Surplus supplies are not inventoried and occupy space that could be used for state functions • Evaluate, inventory and clear out stored furniture, equipment and supplies	• Elimination of safety hazards • Recovery of useable square footage • Better able to access and use stored furniture, equipment and supplies

REDUCE SQUARE FOOTAGE OF OCCUPIED SPACE

4. REDUCE THE FOOTPRINT OF LEASED AND OWNED FACILITIES BY IMPLEMENTING STATEWIDE SPACE STANDARDS

At present no uniform space standard for office space is applied throughout the State. This has occurred for a variety reasons over decades and many administrations. As a result, in some cases the State occupies more space than is necessary to perform business functions. In others, not enough space is available to adequately provide for State employee and customer service needs. Shown below is a graphic that depicts how the State of South Carolina is performing relative to other government entities.

SPACE STANDARDS COMPARISON WITH OTHER STATES



PRIMARY INITIATIVE

Adopt and Implement New Space Standards

- Delegate authority to Department of Administration to establish and enforce standards
- Assign offices based on job needs and function rather than employee titles
- Establish standards to achieve a targeted reduction of 15 - 20% for general office space
- Identify and re-stack mission critical or legacy properties to new standards and begin the back-fill process as obsolete buildings are sold and leases expire
- Timing: 3 to 6 months. Standards should be adopted quickly for implementation into near term move strategies
- Cost: No real cost to change a standard. Implementation will see construction cost impacts. Savings will be realized over time with space moves into smaller footprints.

REDUCE SQUARE FOOTAGE OF OCCUPIED SPACE

CORENET OFFICE SPACE TRENDS

CoreNet: Office space per worker shrinks to 150 sf

The average amount of space per office worker globally has dropped to 150 square feet or less, from 225 square feet in 2010, according to a recent global survey conducted by CoreNet Global.

CoreNet Global

August 06, 2013

The average amount of space per office worker globally has dropped to 150 square feet or less, from 225 square feet in 2010, according to a recent global survey conducted by CoreNet Global, a leading association of corporate real estate managers at large companies throughout the world. The study is part of CoreNet Global's ongoing advocacy of quality working environments and work experiences, and the group's call to action to measure quality of life per square foot.

STRATEGY IMPACT - SPACE STANDARDS REDUCTION SAVINGS

18% - 25% SF Reduction

CBRE and Gensler have estimated that South Carolina could reduce the square footage of its primary office portfolio by 18% -25 % if revised space standards are put into place. This is similar to other states that have gone thru this process.

RECOMMENDED STANDARDS FOR OFFICE & WORKSTATION SPACE

Executive-Level Office 180 SF

For senior executive and ceremonial positions

Space accommodates:
- Work area for computer and reference materials
- Storage for files and personal items
- Meeting space for 4 – 5 people

Standard Office 120 SF

For staff who spend 50% or more of their time counseling others

Space accommodates:
- Work are for computer and reference materials
- Storage for files and personal items
- Meeting space for 2 – 3 people

Standard Workstation 48 SF

For field staff mostly out of the office; service counter and call center staff

Space accommodates:
- Work area for computer and reference materials
- Limited storage for files and personal items

Small Workstation 25 SF

For most professional and administrative staff

Space accommodates:
- Work area for computer and reference materials
- Storage for files and personal items
- Space for one-on-one collaboration

REDUCE SQUARE FOOTAGE OF OCCUPIED SPACE

PRIMARY INITATIVE

Revise Space Requests

- Revise space request forms to standardize space need calculations across the state
  - Timing: Implement in the next 3 – 6 months, as the redesign has been completed
  - Cost: Low cost; no funding is required to implement

HOW ARE STANDARDS APPLIED

- The recommended space standards have been sized according to the type of use.
- If applied universally to space needs, substantial savings can be achieved from spending on a reduced footprint in both initial capital costs and year-over-year operating expenses.
- CBRE recommends that the new standards are applied to all new construction, major space remodeling and agency relocations across the portfolio.
- Note that the standards help the State achieve a targeted density of 210 SF/person including circulation and common space.

SAMPLE SPACE ALLOCATION WORKSHEET FOR 25 PERSON INSTALLATION

STATE OF SOUTH CAROLINA
DEPARTMENT OF ADMINISTRATION
SPACE ALLOCATION WORKSHEET

AGENCY REQUIREMENTS SUMMARY

AGENCY INFORMATION			
Agency Name:	Example Agency	Contact Person:	Example Contact
Location:	Example Location	Telephone:	850-555-5555
Building:	Example Building	Email:	Example@gs.sc.gov.com
Lease No:	Example Lease No	Date: 1/1/2015	Revised: 1/1/2015

AGENCY SPACE NEEDS					**Current Space Needs**		**Future Space Needs**	
Personnel Areas			Typical Size SF	x	Qty	= Area	Qty	= Area
Type A	Enclosed Office	Executives	180	x	1	180	1	180
Type B	Enclosed Office	Staff who spend 50% or more of their time counseling others	120	x	5	600	6	720
Type C	Workstation	Professionals and administrative staff	48	x	35	1,680	39	1,872
Type D	Workstation	Staff who are mostly out or call center positions	25	x	5	125	6	150
				Total Personnel	46		52	
				Total Personnel Area NSF		2,585		2,922
Standard Support Areas			Typical Size SF	x	Qty	= Area	Qty	= Area
General Support								
Reception/entry area		1 per suite or floor	200	x	1	200	1	200
Pantry/break room		1 per 50-75 employees	200	x	1	200	1	200
Copy/print/mail/supply		1 per 50-75 employees	200	x	1	200	1	200
LAN room		1 per floor	100	x	1	100	1	100
Conference/Focus Rooms								
Conference room (10-12 Person)		1 per 60-75 employees	350	x	1	350	1	350
Conference room (6-8 Person)		1 per 30-50 employees	250	x	2	500	2	500
Conference room (2-4 Person)		1 per 30-50 employees	120	x	2	240	2	240
Focus/privacy room		1 per 15-30 workstations	50	x	2	100	2	100
Filing and work rooms								
Open area file cabinets			9	x	10	90	10	90
Storage/work room			120	x	3	360	3	360
				Total Support Area NSF		2,340		2,340
Total Agency Area Requirements								
				Net Area (Sum of Personnel and Support Areas)		4,925		5,262
				Circulation (38% of usable area)		3,019		3,225
				Sub-Total Usable Area SF		*7,944*		*8,487*
				Usable Square Feet/Employee (180 USF/FTE Average Target)		*173*		*163*
				Rentable Square Feet/Employee (210 RSF/FTE Average Target)		*199*		*188*
				Total Special Support USF (From Page 2 Worksheet)		0		0
				Total Useable Area SF		*7,944*		*8,487*

Office to workstation summary		
Percentage offices	13%	13%
Percentage standard stations	76%	75%
Percentage small stations	11%	12%
Office to workstation ratio:	13 : 87	13 : 87

Conference/focus seat summary	Low	High
Conference room (10-12 Person)	10	12
Conference room (6-8 Person)	12	16
Conference room (2-4 Person)	4	8
Focus/privacy room	2	2
Projected total conference/focus room seats	28	38
Projected total staff seats	52	52
Staff seat to conference/focus room seat ratio	1.9	1.4
Target ratio	*between 1.0 and 2.0*	

FM 4100 (R05/04)

REDUCE SQUARE FOOTAGE OF OCCUPIED SPACE

The following table highlights strategies for reducing occupied space.

SUMMARY OF RECOMMENDATIONS TO REDUCE SPACE		
CURRENT STATUS/OBSERVATIONS	RECOMMENDATIONS	BENEFITS
• There is no universally applied set of space standards that reflect modern workplace strategies & space utilization	• Revise and adopt recommended space standards • Delegate authority to the Department of Administration to implement and enforce standards	• More efficient space utilization • Supports work collaboration • Drives cost savings • Fewer standard configurations creates greater flexibility for moves, adds & changes - Reducing the size of spaces will save furniture & operating costs
• Contrary to industry trends, a large percentage of staff have private offices – many based on job title standards rather than need for secure tasks & quiet conversations	• Assign offices to staff with privacy needs (HR, finance) & selected managers • Revise standards to achieve a target of 15% - 20% offices (general offices) • Provide shared team and huddle room space for private conversations	• Deceases space footprint • Supports work collaboration
• Current space request form creates inconsistencies in the calculation of space need	• Create a new space request form that standardizes space need calculations	• A standardized form will eliminate any errors in space need calculations
• There are no remodeled spaces that illustrate the implementation of proposed space standards	• Using new space standards, create a pilot project that illustrates the proposed design concepts in an active work environment	• Allows agencies to tour space using the proposed standards to create buy-in

5. RETROFIT MISSION CRITICAL AND LEGACY FACILITIES TO IMPROVE SPACE QUALITY, UTILIZATION AND BUILDING PERFORMANCE

The State owns and occupies mission critical or legacy facilities that will always remain in the possession of the State. This includes properties such as the historic buildings within the Capital Complex, State Museum Building, Governor's mansion, etc. While beautiful and architecturally significant, they are not structurally designed for the modern workplace environment. Basic building systems are not able to adequately support State employees, visitors and guests. This includes virtually all mechanical systems (HVAC), electrical, plumbing, roofs and windows and vertical conveyance (elevators). In addition to functional obsolescence, without modernization, the buildings are inordinately expensive to operate and maintain.

Recognizing these buildings will always remain within the State's portfolio, it is imperative that the State invest capital dollars necessary to bring these buildings to code and to an improved modern condition. Failure to do so now, will only result in exponentially more expensive repairs in the future.

PRIMARY INITIATIVE

Commission a Renovation Study of the Capitol Complex as a Pilot Project

- The study's goals are to:
  - Design a building renovation that adheres to the State's new space utilization standards
  - Establish a renovation budget and timeline Determine if consolidations from the sale of surplus properties can be accommodated in a portion of the renovation
  - Determine the amount of employee density that can be achieved, therefore eliminating leased space
  - Don't engage in the redevelopment of property systems using pre-packaged plans (aka. ESCOs, etc.) until the final building use status (hold/sell/remodel) has been made for every asset, to avoid unnecessary remodeling that will be replaced

6. EVALUATE PUBLIC PRIVATE PARTNERSHIPS TO IMPLEMENT SPECIAL PROJECTS

Public-Private Partnerships

Government and education institutions are operating in challenging times. Officials are facing budget pressures, revenue shortfalls, increased service demands, staff shortages and heightened public scrutiny. Because real estate costs account for a large percentage of available operating capital, officials have every incentive to approach real estate decisions strategically and with an eye towards maximizing all allocated dollars.

As such, Governments are increasingly turning to public-private partnerships—sometimes referred to as a “PPP” or “P3”—as a means of cost-effectively and efficiently accomplishing capital projects.

Public-private partnerships have existed for many years and are a resource-sharing agreement between a public agency and a private sector entity (developer, investor, end user, or combination thereof). Each party in an agreement shares the risks and rewards of the project. In the real estate sector, these agreements usually involve a public agency partnering with a private sector firm that will assist in the development or re-development of government-owned real property. In South Carolina, PPP’s could be used to improve the Capitol Complex.

Key Elements and Strategies of Public Private Partnerships

- Objectives
  - Economic development, asset monetization, or a combination of public and private uses.
- Typical Results
  - Ongoing or one-time revenue, tax revenue increases, and area revitalization. A single project can prove to be the catalyst for additional private development.
- Strategies
  - Officials can deploy numerous real estate strategies to reduce costs or generate revenue. Since government entities are generally asset rich and cash light, they often maintain building and land assets that only contribute marginally to their core operations. This is the case for many of the buildings in South Carolina.
  - As part of our analysis, we have identified several such properties and have developed potential strategies where redeployment or re-purposing these assets produces increased amenities and synergistic development in the area.
- PPP Process - Most PPPs are comprised of seven tasks split into two phases:
  - Phase 1: Pre-RFP
    - Formulation – Vision for the project, early capital commitments are made by the public sector
    - Feasibility – Financial analysis and objectives evaluated, tested and confirmed
    - Planning – Site evaluation, political assessments, master planning, phasing and budgets, business plan
- Phase 2: Market Engagement/Project Execution
  - Procurement (RFI / RFP) – A carefully crafted RFP sent to potential private-sector partners that highlights project vision and goals, agency risk / reward profile, public financing options, and potential transaction structures.
  - Partner Selection – Proposals from private-sector evaluated and partner is selected.
  - Implementation – Design completed and partner fulfills agreement. Agency and partner(s) manage communications and political process.
  - Operation – Monitoring and contract maintenance.

REDUCE SQUARE FOOTAGE OF OCCUPIED SPACE

PPP Key Advantages

- Transfers much of the development risk from the government to a private sector partner
- Reduces capital burden; generates revenue
- Allows government access to the best practices (construction management, private sector procurement) and market knowledge (feasibility, competitive pool) of the private sector
- Allows for redevelopment / re-purposing of under- or non-performing assets
- Produces incremental cash flow, increased amenities and synergistic development
- Increases the chance for success and speed of project delivery

Why Hire A PPP Advisor?

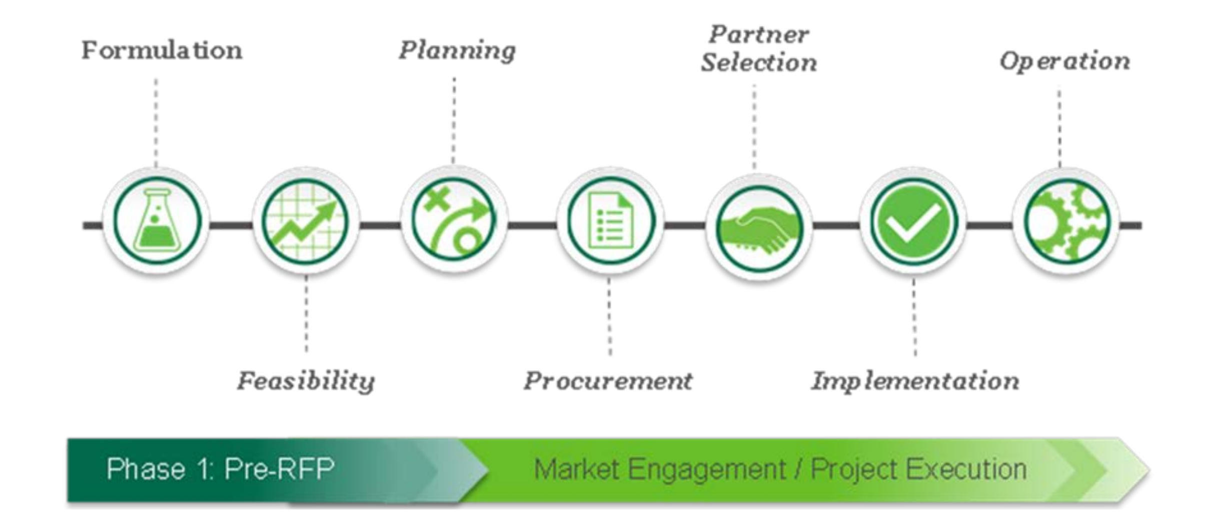
- An advisor's focused management of the process will:
  - Broaden the pool of potential developers
  - Ensure the execution of a competitive yet feasible transaction
  - Minimize the project risk
  - Help keep the project on time, within budget, and in line with the project's mission

PRIMARY INITIATIVE

Explore the Use of Public Private Partnerships for Special Projects

- South Carolina Museum building - Improve and maintain the facility
- DHEC HQ – Modernize facility to "attract and retain talent" and improve operational efficiency
- SLED –Deliver expanded and specialized facilities as needed
- 900 Main Street – Solve Capital Complex parking shortage and capitalize on higher and better use
- 8500 Farrow Road –Consolidate existing uses into a portion of the site and sell the remainder for private redevelopment.

IMPLEMENTATION PROCESS FOR A TYPICAL PUBLIC PRIVATE PARTNERSHIP PROJECT



CENTRALIZE REAL ESTATE MANAGEMENT UNDER DEPARTMENT OF ADMINISTRATION

B. CENTRALIZE ALL REAL ESTATE MANAGEMENT AND REPORTING FUNCTIONS UNDER THE DEPARTMENT OF ADMINISTRATION

7. CONSOLIDATE ALL REAL ESTATE MANAGEMENT AND REPORTING FUNCTIONS UNDER THE DEPARTMENT OF ADMINISTRATION

Current Observation

The current decentralized facilities management model is inefficient in terms of ongoing asset preservation, maintenance and management of State facilities. While purchasing is centralized through Procurement and selected goods and services are bought through bulk purchase or state approved contracts, not all spending is tracked through Procurement. Some contracts can be undertaken through exceptions, lump sum contracts and small project expenditures. In addition, the state's buying power is diminished through the use and approval of many contractors statewide rather than through a more limited set of contractors and vendors.

The structure of a high performance real estate group requires the identification of key attributes that have been used successfully in other organizations.

Key Attributes of a High-Performing Real Estate Organization

- Centralized control and decision making
- Effective leadership and deep skills within the real estate organization
- Operational excellence as a primary goal of the real estate operations
- Alignment with agencies and departments
- Strategic alignment with markets: real estate, capital, supply-chain
- Strong governance model for both internal and outsourced services and requirements

Benefits to Organizational Design Models

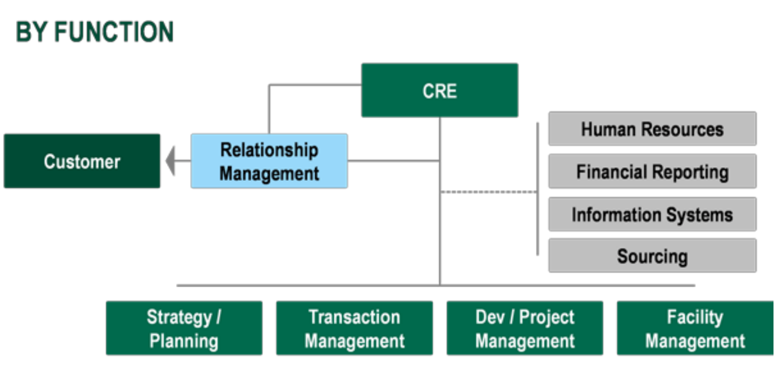
- Scalable elements are enhanced through a centralized approach
  - Information management
  - Portfolio planning
  - Relationship management
  - Strategic sourcing
  - Performance measurement
  - Workplace programs
  - Best practices are reinforced through the use of organizational models

PRIMARY INTIATIVE

Centralize all real estate management under the Department of Administration using a functional design model

- A commonly used model for real estate organization is a functional design structure with an imbedded geographic structure under functional areas, to accommodate field

FUNCTIONAL ORGANIZATION MODEL



CENTRALIZE ALL REAL ESTATE MANAGEMENT

services in multiple locations. While there is no "one size fits all" model for a centralized real estate organization, CBRE believes the Functional organizational model is the most relevant for South Carolina.

- Benefit
  - Most efficient organizational structure (least amount of management duplication)
- Challenges
  - More difficult to manage unique Agency needs, diverse property types and large diverse geographies
  - Requires more focus to coordinate and deliver services across functions (e.g., Transaction, Project and FM)
- Common Application
  - Used in organizations with concentrated portfolios, similar property types, and service delivery needs
  - Can be used with geographically dispersed portfolios or diverse property types only with complete Centralized Real Estate (CRE) control

PRIMARY INITIATIVE

Consolidate All Property Management Under the Department of Administration

- Restructure and centralize all real estate functions to improve operating efficiencies, control costs and streamline job functions
  - Centralized management and control of all real estate income and expenses will lead to greater accountability and more effective budgeting of dollars spent
  - Identify and evaluate all personnel involved in the management, operations, acquisition, disposition, repairs and financial tracking of real estate
  - Integrate HR, IT and real estate planning and organization to better coordinate headcount projections with space forecasts
  - Timing: Requires 12 – 24 months to obtain required approvals to absorb staff and functions from other agencies
  - Cost: Physical cost of consolidating people imbedded in other agencies. This may be mitigated if it is determined that imbedding real estate strategists with agencies offers benefits to both the agency and the Department of Administration.

Develop Key Performance Indicator Metrics to Enable Review of the Portfolio Performance on a Periodic Basis

- Periodically review portfolio performance with appropriate metrics
  - A review of tasks and outcomes should be undertaken to identify the appropriate KPI's that should be implemented as part of a modern facility maintenance practice
  - Identify meaningful Key Performance Indicators (KPI's) that measure the strength of the real estate team, performance of building systems and effectiveness of capital spending and drive a lower cost of operations
  - Timing: 6 – 12 months
  - Cost: Training costs will be offset by improved productivity.

SOLUTIONS FOR KPI METRIC IMPLEMENTATION

KPI Criteria Development

- Identify critical metrics across the portfolio tasks and functions that will enhance performance and reduce costs
- Measure what matters – Don't overwhelm staff with needless data gathering - Start with a small group of metrics that measure critical results

Success

- Link customer satisfaction and work completion to performance criteria objectives

CENTRALIZE ALL REAL ESTATE MANAGEMENT

PORTFOLIO MANAGEMENT RECOMMENDATIONS		
CURRENT STATUS/OBSERVATIONS	RECOMMENDATIONS	BENEFITS
• Real estate management is split between the Dept. of Administration and agencies	• All real estate & facilities management functions should be centralized	• More efficient staffing levels • Better maintenance tracking • Expense management by asset
• Centralized Procurement, does not capture all agency spend • Vendor contract awards are not tracked to see who is working with same vendor	• Centralize purchasing for both goods and services thru an upgraded SCEIS portal to track spending • Look to coordinate larger services contracts thru fewer vendors	• Larger work orders drive cost savings • Better vendor coordination and improved service levels
• Minimal staff training, manuals and processes to develop new skills and improve services	• Support staff training, professional licenses & certifications across all levels of real estate staff to enhance careers • Develop continual improvement processes as part of training	• Increased productivity • Improved processes, safety & maintenance • Reduce risk in complex environments
• Lack of integrated technology platform between SAP, TRIRIGA and other systems • Lack of systems to support staff in on-site field work	• Current systems lack a full implementation of useful real estate functions • Upgrade IT functions to track maintenance and spending at the point of service delivery	• Enhanced tracking improves accountability for expenditures • Enables better strategic planning and sourcing • Reduces admin/accounting time
• While some metrics are used, there is a lack of detailed metrics for measuring improved year-to-year performance	• Develop key performance indicators and methods to track progress and measure improvements	• Tracks progress toward meeting goals to reduce costs • Improves completed task quality
• Increasing need for stored files has placed many cabinets in office space	• An accelerated top down mandate with adequate funding to move files to electronic format needs to be initiated	• House programs/people in core buildings • Faster access to stored files • Cost savings on printing and paper

8. PERIODICALLY CHANGE THE INTERNAL STATE RENT CHARGED TO AGENCIES TO HELP COVER OVERALL COST OF OWNERSHIP INCLUDING MAJOR CAPITAL REPAIRS

Current internal rent rate of $11.29 per square foot has not changed in recent years. The internal lease rate should be matched to actual operating/maintenance expenses, deferred maintenance and capital costs and benchmarked on a periodic basis to provide an adequate level of funding to maintain facilities in a steady state of repairs. The Facilities Condition Assessments of 5.6 million square feet (MSF) of property revealed that 2.1 MSF or 38.8% of buildings were in poor or critical condition.

PRIMARY INITIATIVE

Revise Internal Rent Charged to Agencies to Reflect Overall Cost of Ownership

- Evaluate underlying expenses, capital repairs and management required to operate facilities
- Due to the increase in rent required to recover all expenses, create a capital plan for legislative approval that can fix current deferred maintenance and lower the funds required going forward that will be charged back to agencies as rent
- Work with agencies and the legislature to develop an acceptable rent that reflects operating and capital costs. Note that this should be a number derived from portfolio averages so that agencies housed in less efficient buildings are not penalized.
- Timing: 6 – 12 months. Current rules may need to be revised. Longer timing, maybe 3 - 5 years, to receive adequate.
- Cost: Low cost to change the benchmarks, but high costs to fund deferred maintenance to lower initial rent

CENTRALIZE ALL REAL ESTATE MANAGEMENT

9. DEVELOP A PROACTIVE PROCUREMENT MODEL THAT ACCOMMODATES AN ENHANCED SCEIS PORTAL, A COMPETITIVE SHARED SERVICES MODEL AND CENTRALIZED VENDOR MANAGEMENT TO LEVERAGE THE STATE'S BUYING POWER

The State has an effective procurement strategy that allows it to purchase selected goods and services statewide and in joint bids with other government entities including states. However, following Procurement guidelines and vendor selection policies, agencies can spend money and hire vendors through lump sum contracts (not broken out) or with contractors that are not visible to the Procurement office.

After analyzing building specific and agency wide surveys to gather operating expense, it was determined that there is misalignment in the sourcing and contracting of goods and services among agencies.

- Many agencies solicit their own contracted services, even for services in the same city as another agency.
- Within selected agencies, individual properties are provided services with no apparent consideration of services provided to neighboring facilities.
- Some agencies make an effort to use the services provided by other agencies, but the initiative is inconsistent and not centralized.

STEPS TO A MORE EFFECTIVE SOURCING STRATEGY

Market Analysis

- Evaluate current supply availability in the market

Spend Analysis

- Review suppliers' cost benefit analysis
- Assess the Supply Market
- Review market trends and potential suppliers
- Develop and implement a sourcing strategy
- Process through supplier selection & contract execution
- Review ability to create larger bid contracts
- Develop integrated portal linked to SCEIS
- Suppliers
- Supplier negotiations - ensure that they meet the new procurement strategy & cost benefit analysis

Implementation of Relationship

- Commence working with suppliers
- Supplier Relationship Management

PRIMARY INITIATIVES

Refine the current procurement model to accommodate a Shared Services Model, more centralized vendor management and an enhanced SCEIS portal that covers the purchase of all goods and services.

- Enhance centralized real estate purchasing for all building related materials, supplies and services through a procurement Portal linked to the SCEIS, to increase leverage with suppliers, control costs and manage inventory
- Current practices allow for the purchase of supplies and contracted services through multiple departments and with many vendors and without a full tracking through Procurement
- While providing accommodation for small and disadvantaged businesses, coordinate larger services contracts through fewer vendors such as janitorial services, on a statewide basis
- Timing: 6 – 12 months
- Cost: Reorganized procurement will drive savings. Will have some IT costs to set-up portal.

Outsource primary services that can be competitively purchased

- The most efficient way to reduce costs within a facilities management organization is to encourage a healthy competition among service providers, both internal and external to the agencies.
- Aggregate service contracts across agencies
- Timing: 6 – 12 months. Current procurement rules may need to be revised
- Cost: Low - Competitive bidding of bundled contracts will drive immediate savings

UPGRADE TOOLS, PROCESSES, AND TECHNOLOGIES

C. UPGRADE THE EFFICIENCY OF OVERALL REAL ESTATE OPERATIONS BY DEVELOPING AND REFINING REAL ESTATE MANAGEMENT TOOLS, PROCESSES AND TECHNOLOGIES

Implementation Spotlight

Customer Centric Approach to Continuous Improvement

The three main components in the development of a facilities strategy, 1) People, 2) Processes and 3) Tools need to be linked together to accommodate a continuous improvement process based on constant feedback. A practical and easily applicable strategy does not exist if there is no re-evaluation of mission, strategic components (people, processes and tools) and objectives.

This customer centric approach to continuous improvement is essential for a successful Facilities Management practice. Three questions should be asked every time that the overall strategy of the State is assessed:

- What is the context in which the Facilities practice is operating?
- What are the new options the practice has to render its services?
- What positions, processes and tools should be added to enhance operations?

Report on Historical Costs for Department of Administration

The State of South Carolina Portfolio ("the Portfolio") assessment is based on a multi-faceted approach that included:

- Facility Conditions Assessment of key properties
- An operations assessment of current real estate practices as it relates to Operations and Maintenance ("O&M")
- An operating expense review (including 3 years historical data)

Real Estate Strategies for Facility Conditions, Maintenance and Operations Costs

Overview

The CBRE Team along with Cardno Engineering and Carlos Vesga – Consultant, performed a review of facilities conditions and operating expense data. These two tasks were designed to 1) Achieve an assessment of current facility conditions and 2) Establish historic building operating costs as a basis for future comparison with other public and private sector best practice operations.

STRATEGY IMPACT
OPERATING EXPENSE SAVINGS

CBRE prepared an operating expense analysis of nearly 5,000,000 square feet of South Carolina space and benchmarked the data with a 2014 dataset from a "Similar State" portfolio. CBRE believes that the "Similar State" data of $6.03/ Square Foot provides the best basis for comparison of expenses.

The Department of Administration portfolio (formerly Budget & Control Board) had an expense average of $7.66/SF in 2014. While this is above the "Similar State" average of $6.03/SF it is substantially below the portfolio average of $13.16 and helps to illustrates the benefit of more centralized portfolio management.

Using similar state as a basis for comparison, the CBRE Team estimates that there is a potential of $35.3 million in savings available across the state portfolio.

Note: This estimate should be used for planning purposes only. It should be noted that some of the available state data was comingled, assigned to other cost centers or derived from estimates.

10. DEVELOP AN INDUSTRY RECOGNIZED CHART OF ACCOUNTS TO TRACK EXPENSES AND ENABLE THE DEVELOPMENT OF ROUTINE BENCHMARKING WITH SIMILAR PORTFOLIOS

Current Status

Currently, real estate management, costs and functions are decentralized and maintained by many different departments and tracked using a variety of methods. The Department of Administration manages many owned buildings, but some agencies also self-manage buildings,. The current structure has grown out of decisions made over time that have reinforced the decentralized structure that is currently in-place.

In addition to management of real estate activities, some agencies oversee the planning for real estate requirements including location decisions and overall occupancy standards. When payment for space is accounted for within departmental budgets, there is often no higher level strategic plan that establishes, determines and enforces occupancy cost reduction. Operationally, expenses are currently not tracked in a meaningful way to break-out expenses in detail by building and agency.

PRIMARY INITIATIVES

Operating Expense Management Revisions to Accommodate Standard Chart of Accounts Reporting

- Adopt a Standard Chart of Accounts(SCA) to collect and track facilities data including operating expenses by property
  - Train staff to input, track and use SCA data
  - Benchmark these costs across all departments/ agencies to identify those facilities that are expensive to operate and maintain on an annual basis
  - Compare data to public and private sector equivalents
  - Prepare a Facilities Operating Budget that separates real estate funds from agency operating funds
  - Timing: Medium term – Current accounting classifications need to be set-up across all agencies
  - Cost: Low – Staff resources to identify, categorize and track expenses
- Report facilities related salaries in Standard Chart of Accounts categories by building
  - Train staff to input, track and use SCA and SG&A salary data
  - Timing: Medium term – Current accounting classifications may need to be set-up
  - Cost: Low – Staff resources to identify, categorize and track salaries
- Eliminate poorly maintained and high energy cost facilities to reduce overall operating costs
  - Develop criteria to identify underperforming assets
  - Eliminate properties to reduce infrastructure, maintenance and capital costs
  - Timing: Medium term
  - Cost: Medium – Decommissioning, move and disposition
- Benchmark property portfolio against Energy Star database
  - Benchmarking primary properties year-over-year provides a baseline for comparison with similar buildings and gives the state a measure for improved performance
  - Timing: Medium term – Appropriate accounting classifications need to be set-up
  - Cost: Low – Staff resources to identify, categorize and track expenses is required; the benchmarking is low cost

CHART OF ACCOUNTS EXPENSE CATEGORIES
• Administrative Costs
• Cleaning
• Repairs & Maintenance
• Utilities
• Security
• Roads & Grounds

OPERATING EXPENSES SUMMARY		
CURRENT STATUS/ OBSERVATIONS	RECOMMENDATION	BENEFITS
• Inability to track facilities data by building & Standard Chart of Accounts • Staff is not trained and equipped to input tracking data • Operational performance is difficult to track with comingled expenses	• Adopt a Standard Chart of Accounts to track real estate operating expenses by service and at a building level	• Ability to identify high cost properties and benchmark with comparables • Enables allocation by task and building to better control budgets & spend • Improved vendor management
• Facilities salaries (SG&A) are not reported in useful categories for tracking	• Facilities salaries (SG&A) should be reported in the proper accounting categories	• Will help identify categories & buildings with high expenses
• Service contracts, space and selective staff are not shared	• Contracts, space and staff should be shared to capture the benefits of scale & purchasing power	• Cost savings
• State has a green purchasing mandate but needs to confirm level of utilization	• Encourage use of green cleaning consumables including bags, tools and cleaning solutions	• Use of bio-degradable supplies reduces landfill waste and carbon footprint
• Recycled paper program is not universally applied	• Replace paper materials with fully recycled products	• Reduces janitorial expense • Lessens environmental footprint
• Multi-building portfolio -many with high energy costs	• Criteria and systems need to be developed to identify underperforming assets	• Eliminate or repair facilities with high energy costs
• Energy performance not routinely benchmarked against industry standards	• Benchmark primary properties against the Energy Star Data base	• Yearly benchmarking provides a basis of comparison with similar buildings & helps to control real estate spend
• No annual facilities budget by agency	• Consolidate annual real estate budgets under the Dept. of Administration • Maintain budgets for Federal Matching dollars as required	• Avoids crisis management & enables better planning for real estate expense across the portfolio • Eliminates redundant positions

11. EXPAND AND INTEGRATE THE EXISTING TECHNOLOGY PLATFORM TO ENHANCE PROPERTY MANAGEMENT PERFORMANCE

From an information perspective, property portfolios are managed by the Department of Administration, separate agencies and other entities such as universities. One overall source of information for all state properties that tracks spending, capital costs and staffing, does not exist. Several different systems, the SCEIS – South Carolina Enterprise Information System (SAP enterprise software), Tririga (a facilities management program) and others, contain key data, but no single source captures all information. In addition to the lack of a single source, data is often not readily available when and where it is needed by various user groups such as field technicians, accounting groups and real estate managers.

PRIMARY INITIATIVES

Assess Existing IT Functionality, Define Outputs and Upgrade to Industry Best-Practices Standards Within a Defined Budget

- Expand and integrate a facilities Technology Platform to support efficient and effective real estate decisions, maintenance tracking and expense reporting
  - Evaluate existing IT resources currently in use and identify gaps
  - Implement IT solutions best practices for databases, staffing, processes, procurement and vendor contracts
  - Centralize real estate information functions spread across many agencies that self-perform facilities management
  - Determine resources required to assess the best systems and interface between systems including TRIRIGA, SCEIS and other facilities software currently in use with, a proposed Computerized Maintenance Management System (CMMS).
  - Develop needs criteria for CMMS system including Work Process Controls, Forms and Guides
  - Establish key performance metrics to measure IT integration and output success
  - Timing: Near term. 6 -12 months
  - Cost: The cost is dependent on the level if IT upgrades that are required and desired. There may be systems integration and department consolidation costs

Accelerate Electronic Document Management to Reduce the Need for File Storage

- Support Electronic Document Management to remove file storage areas from active office floors and re-purpose space for department use
  - Implement guidelines for document management and work to reduce large dedicated file areas
  - Identify resources required to expedite document scanning process
  - Timing: 12 – 24 months
  - Cost: Costs for scanning documents are offset by the savings that result from a reduction in owned and leased floor space

12. DEVELOP SKILLS, TRAINING, TOOLS AND PROCESSES TO ENHANCE PERFORMANCE ACROSS THE PORTFOLIO

People Strategy for Facilities Management

The human resources component of the strategy is the most vital part of a long-term plan for achieving the Facilities Management objectives. It deals with:

- Competencies Development - Defining the knowledge and skills required for the Facilities Management professional and how the State is going to provide the means for that development
- Performance Management - It defines the requirements for the professionals to provide Facilities Management services and how their ability to provide those services is going to be supported and assessed to facilitate continuous improvement and growth.
- Succession Management - It establishes how the organization is going to develop a pipeline of professionals that over time keep delivering high quality services by building on their collective experience, sharing their professional knowledge and improving their practices.
- Employee Engagement - It sets up the programs to be deployed to facilitate the work of the Facilities Management professionals and defines the motivational and development plans required to assist in their mission.

> A successful Employee strategy ultimately delivers a personalized training and development plan to all Facilities Management staff. It gives consideration to individual skills and knowledge and defines how each person will become instrumental in delivering an ever improving Facilities Management strategy for the state.

UPGRADE TOOLS, PROCESSES, AND TECHNOLOGIES

PRIMARY INITIATIVES

Address Staffing Changes to Reflect Reorganized Management Structure

- Create an action plan to address changes in management and staffing required to real estate facilities operations
  - Initiate a top to bottom review of staffing to address the following:
    - Managing workflow with limited resources
    - Aligning skills with assigned tasks
    - Preparing gap analysis to identify skills that may need to be provided through training or outsourcing
    - Break-out of labor costs allocated to specific facilities
    - Knowledge gap created by retirements
  - Identify and implement methods for monitoring continual improvement processes with the team
  - Timing: 1 to 3 years
  - Cost: Staff resources and time to address staffing model

Training

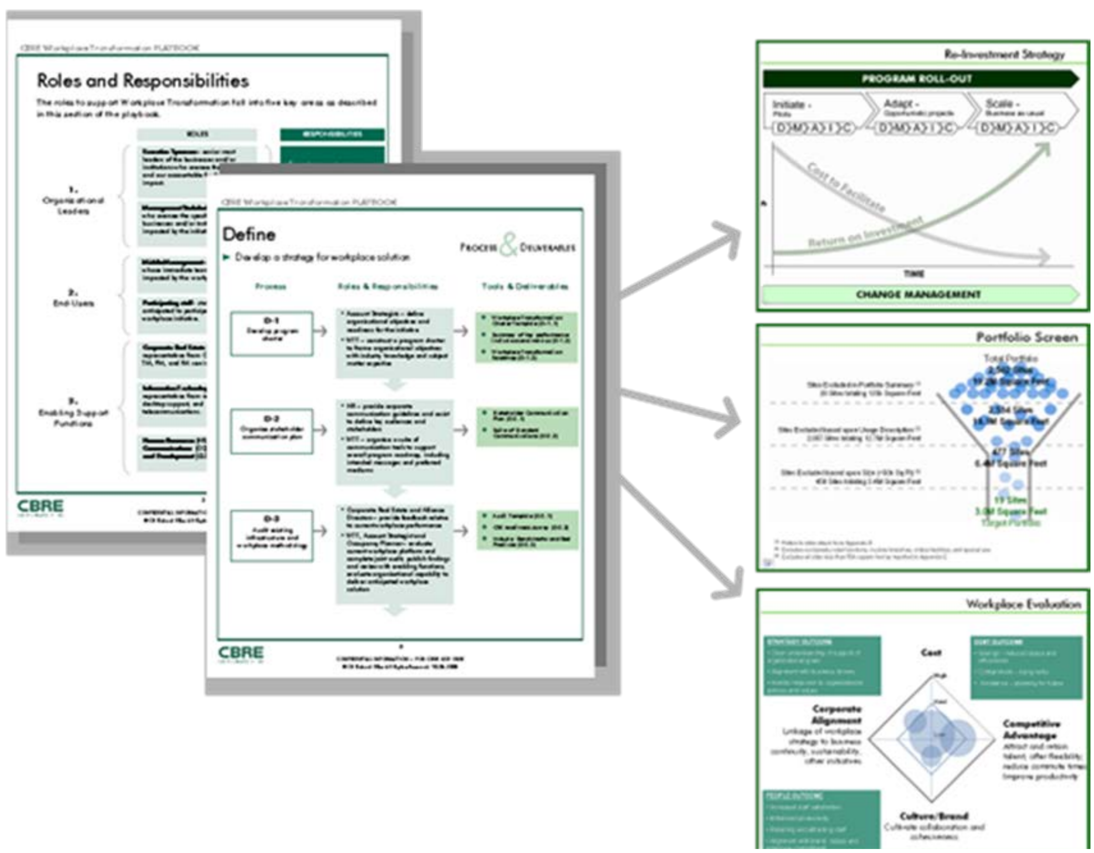
- Develop training programs required for transformation of facilities operations
- Develop and maintain ongoing training program to expedite and reinforce change management recommendations and accelerate savings
  - Identify and evaluate all personnel involved in the management and operations of real estate and determine levels of training required under the new organization plan.
  - Support completion of professional licenses and certificates
  - Ongoing staff is required to upgrade staff skills to enable the use of new tools and technologies
  - Develop and host "Best Practice" workshops for the Real Estate Team
  - Timing: 12 to 24 months
  - Cost: Cost is variable based on level of training that can be performed internally

Process

- Develop processes for major strategies and tasks
- Develop processes for all major areas of work in the Facilities Management area
  - Master Processes Defined - Facilities Management Operations and Services are organized into nine major categories:
    - Strategic Management of Facilities.
    - Talent Development
    - Engineering, Operations & Maintenance
    - Energy & Sustainability
    - Financial Optimization
    - Occupational Health & Life Safety
    - Strategic Sourcing
    - Business Resiliency Planning
    - Customer Support Services
  - Standard Operating Procedures (SOPs) defined – SOPs for each one of the sub-categories that compose the nine major areas of Facilities Management work require further definition.

  - Work Standards Defined - With the objective of better defining the structure under which the services would be provided, work standards record document management policies, reporting policies, key performance indicators, asset identification standards, equipment lifecycle and longevity standards, etc.
- Develop/improve operations manuals or Playbooks for all real estate functions (in house and contract services). Playbooks map core business processes for routine projects and procedures. They can be created for most procedures with multiple tasks. Playbooks define roles and responsibilities, process and deliverables. Timing can be built into a Playbook process.
  - Operations manuals are required to standardize processes
  - Timing: 12 – 18 months
  - Cost: Cost is dependent on level of playbooks that are generated internally and assistance provided by service providers

SAMPLE PLAYBOOK OPERATIONS MANUALS FOR VARIOUS REAL ESTATE FUNCTIONS



13. IMPLEMENT LONG TERM CAPITAL EXPENSE PLANNING AND MANAGEMENT USING THE PLAN'S 30-YEAR FACILITIES CONDITION ASSESSMENT (FCA) DATA

Introduction

Facility Condition Assessments (FCA) are a best practice approach to identify the overall condition of building assets. The FCA process helps to identify deferred maintenance needs and creates the baseline by which future expenditures can be forecast.

The Facility Condition Assessment effort was focused on a representative sample of 150 buildings, comprising 5,624,278 square feet of building space. The State has used earlier FCAs prepared on selected assets to guide upgrades, but the capital and deferred maintenance budgets have not been linked to a plan for funding repairs on a focused set of buildings that are considered

Mission Critical. A primary recommendation of this report is to develop a prioritized list of properties that should be considered long-term hold assets and that require additional capital to enhance utilization.

PRIMARY INITIATIVES

Implement Long-Term Capital Expense Planning Using 30-Year Facilities Condition Assessment (FCA) Projection Data

- Incorporate Facilities Condition Index ratings into overall repair and maintenance planning to prioritize repairs, assist in creating realistic capital budgets and reduce repair backlogs
  - The state has been using Facility Condition reports previously prepared by Cardno to identify areas in critical need of repair in selected facilities. A new set of Facility Assessments was prepared for 150 properties.
  - The FCI prepared for 150 facilities in this assessment is a relative indicator of condition and should be tracked over time to maximize its benefit. It is a general measure of the constructed asset's condition at a specific point in time.
  - Begin tracking maintenance items using the 30 year forecast from Cardno's Facility Condition Assessments
  - Incorporate Facilities Condition Index ratings to review and remove "poor" or "critical" ranked facilities to lower operating costs and eliminate unnecessary capital costs
  - An effective maintenance strategy at a minimum should cover the 3 main areas of maintenance planning; 1) Predictive Maintenance, 2) Preventative Maintenance and 3) Corrective Maintenance
  - For the agencies studied in this analysis, most of the time dedicated to maintenance is spent in providing necessary (reactive) repairs to the infrastructure of the State. Far less time is spent on performing preventative maintenance tasks and almost no time in predicting where the next failure could occur to prevent it before it happens.
  - Timing: 6 -12 months. The Facility Condition Assessments have been completed.
  - Cost: Low – FCI scores have been prepared for core properties

FCI DEFINED

FCI is defined as the ratio of deferred maintenance costs to the plant replacement value (PRV), where deferred maintenance costs include sustainment, restoration, and renewal categories.

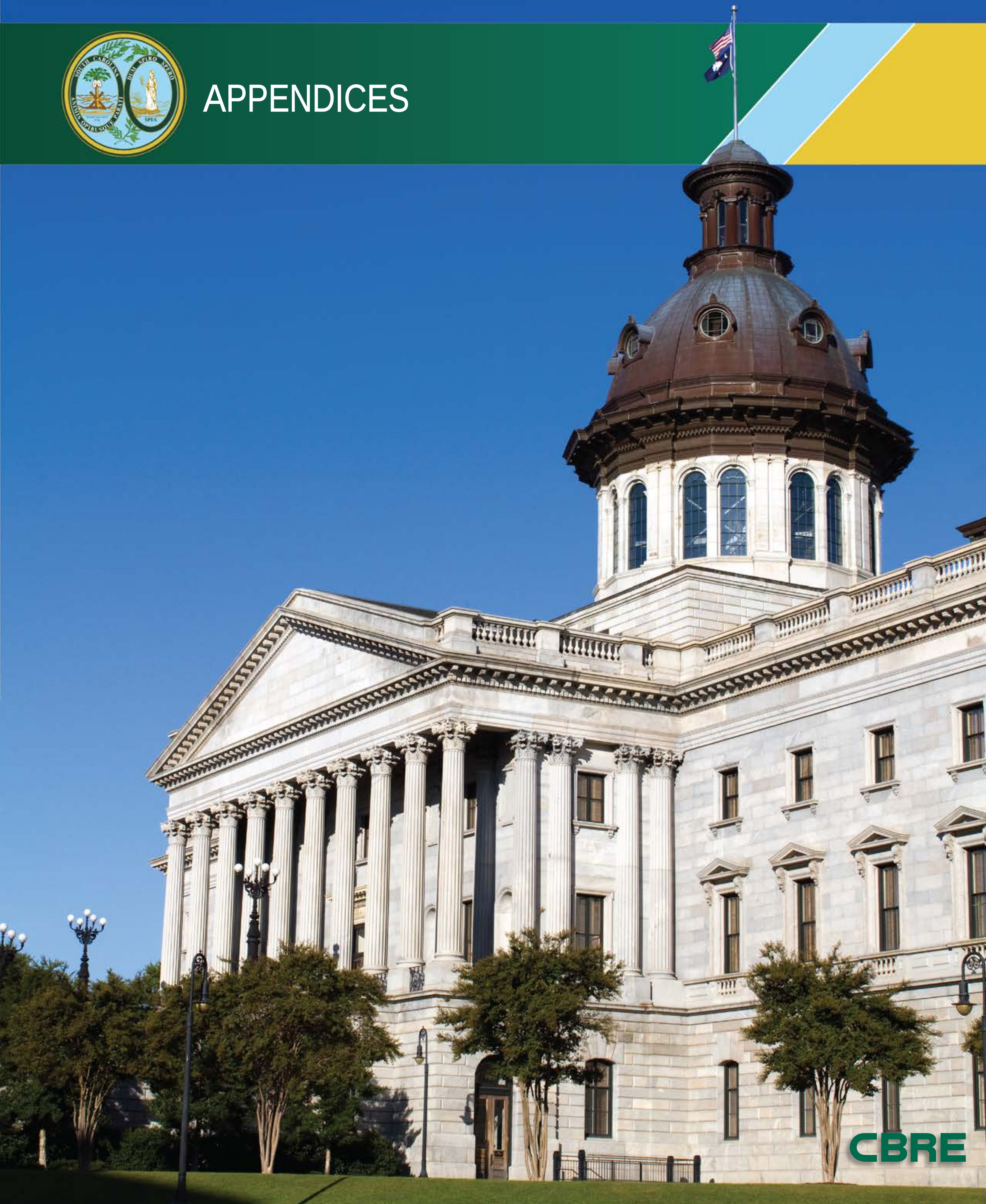
Use the Facility Condition Assessments to Remove Properties From the Portfolio

- Incorporate Facilities Condition Index ratings to review and remove "poor" or "critical" ranked facilities to lower operating costs and eliminate unnecessary capital costs
  - Timing: 6 – 12 months. The Facility Condition Assessments have been completed.
  - Cost: Low – High; Typically building proceeds should off-set expenses, but clean-up or demolition costs for example could exceed proceeds

Outlined below is a summary of the relative condition of the 150 buildings evaluated by Cardno.

FCI SUMMARY				
ASSUMPTIONS	CRITICAL RANGE	POOR RANGE	FAIR RANGE	GOOD RANGE
From 150 Building Sample	Less than or equal to 85	Between 90 and 85	Between 95 and 90	Greater than or equal to 95
No. of Buildings	24	21	44	61
Area (SF) % of total	752,169 13.4%	1,428,445 25.4%	1,743,404 31.0%	1,700,260 30.2%

APPENDICES



APPENDIX – REDUCE SQUARE FOOTAGE OF OCCUPIED SPACE

PRIMARY INITIATIVES

By downsizing offices and workstations, the State will accelerate its goal of reducing the occupancy footprint. While standards can be changed immediately, the implementation will occur as spaces are remodeled, agencies are collocated and new buildings are constructed. The following pages describe the detail behind revised space standards.

Office Planning and Layout

- Adopt recommended space standards and secure authority to implement & enforce standards
  - Revise standards to the following sizes:
    - Executive-Level Office: 180 SF
    - Standard Office: 120 SF
    - Standard Workstation: 48 SF
    - Small Workstation: 25 SF

    (Note that actual work area noted above does not include circulation and common areas which when included, should target 210 SF/ person)
  - Timing: Short term – New standards should be adopted quickly so that any new reconfigurations are designed using resized offices and workstations
  - Cost: Low – Implementing revised standards is an option that will drive savings

ADOPT RECOMMENDED SPACE STANDARDS

Executive-Level Office
180 SF

For senior executive and ceremonial positions

Space accommodates:
- Work area for computer and reference materials
- Storage for files and personal items
- Meeting space for 4 – 5 people

Standard Office
120 SF

For staff who spend 50% or more of their time counseling others

Space accommodates:
- Work are for computer and reference materials
- Storage for files and personal items
- Meeting space for 2 – 3 people

Standard Workstation
48 SF

For field staff mostly out of the office; service counter and call center staff

Space accommodates:
- Work area for computer and reference materials
- Limited storage for files and personal items

Small Workstation
25 SF

For most professional and administrative staff

Space accommodates:
- Work area for computer and reference materials
- Storage for files and personal items
- Space for one-on-one collaboration

- Right-size administrative offices and support space to accommodate new ways of working, interconnected communications devices and enhanced concepts in collaboration
  - Identify and re-stack mission critical properties to new standards and begin the back-fill process as obsolete buildings are sold and leases expire
  - Set an overall target density of 210 SF/person (includes circulation, common spaces, etc.)
  - Timing: Long term – Due to annual capital constraints and variable lease rollover termination dates, this is a long-term opportunity.
  - Cost: Medium to high – Major capital requirements for build-out, move costs and project execution will be off-set in apart by lower operating and capital costs due to re-location into smaller footprints, as well as, the receipt of proceeds from direct property sales.
- Assign offices to staff based on need rather than job title standards
  - Revise personnel standards for space allocation to achieve a target of 15 - 20% for general office space
  - Timing: Long term – Due to annual capital and lease rollover constraints, this is a long-term opportunity

TARGET RSF PER PERSON BY OFFICE TYPE

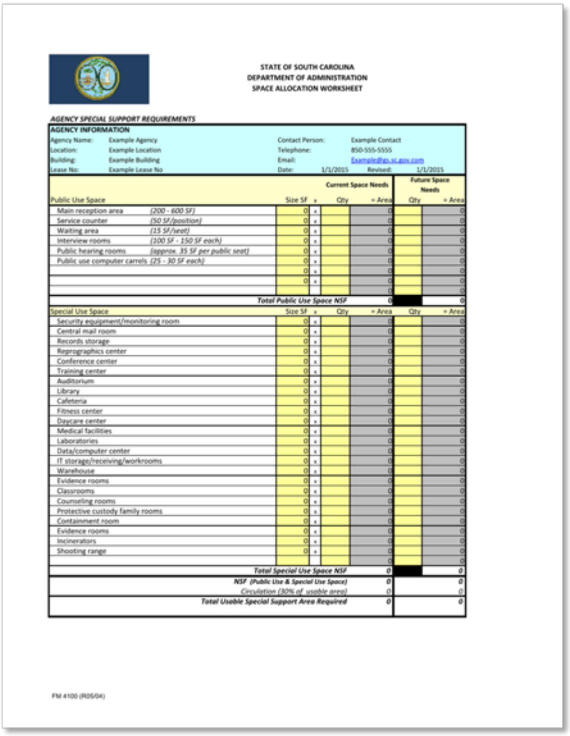
Field Staff Space	General Office	Office-Intensive
Small Workstations: 65 – 75%	Small Workstations: 10 – 15%	Small Workstations: 20 – 35%
Standard Workstations: 5 – 10%	Standard Workstations: 60 – 70%	Standard Workstations: 15 – 20%
Offices: 15 – 20%	Offices: 15 – 20%	Offices: 30 – 50%
Target RSF: 170 – 210	**Target RSF: 190 – 230**	**Target RSF: 210 – 250**

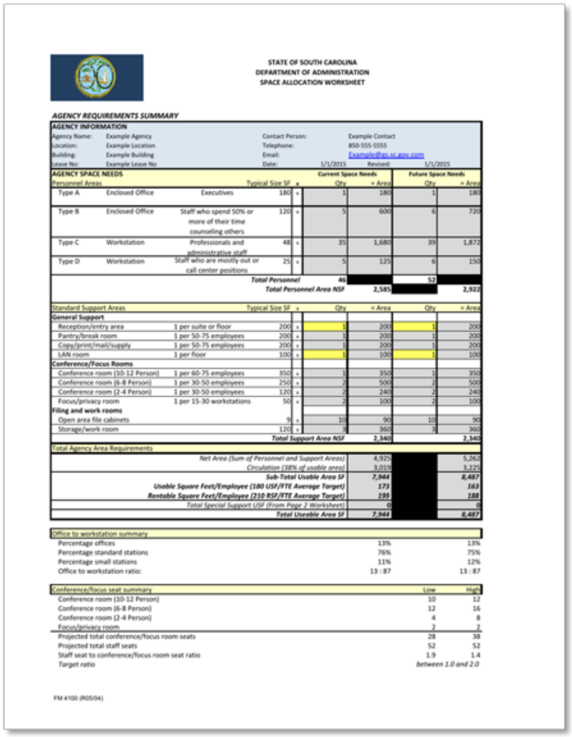
APPENDIX – REDUCE SQUARE FOOTAGE OF OCCUPIED SPACE

- Cost: Medium to high – Major capital requirements for build-out, moves and project execution will be off-set in apart by lower operating and capital costs due to the smaller footprint, as well as the receipt of proceeds from direct property sales.
- Rentable area per person will depend in part on the type of primary use for a specific group. The following chart indicates the range of differences by type of use.

- Revise current space request forms to standardize speed need calculations
  - Standardizing space calculations can lead to lower square footage need calculations
  - Timing: Near term – Proposed form re-design has been completed
  - Cost: Low – Revised form is a low cost change that can help to drive large savings

SOUTH CAROLINA SPACE ALLOCATION WORKSHEET





APPENDIX – REDUCE SQUARE FOOTAGE OF OCCUPIED SPACE

Financial Analysis Model

The following opportunities were evaluated using the Financial Analysis Model. Preliminary estimates for savings from the implementation of these four projects is $32.4 million. These results confirm that South Carolina should move these projects to a planning phase to confirm the savings and identify additional opportunities for potential execution.

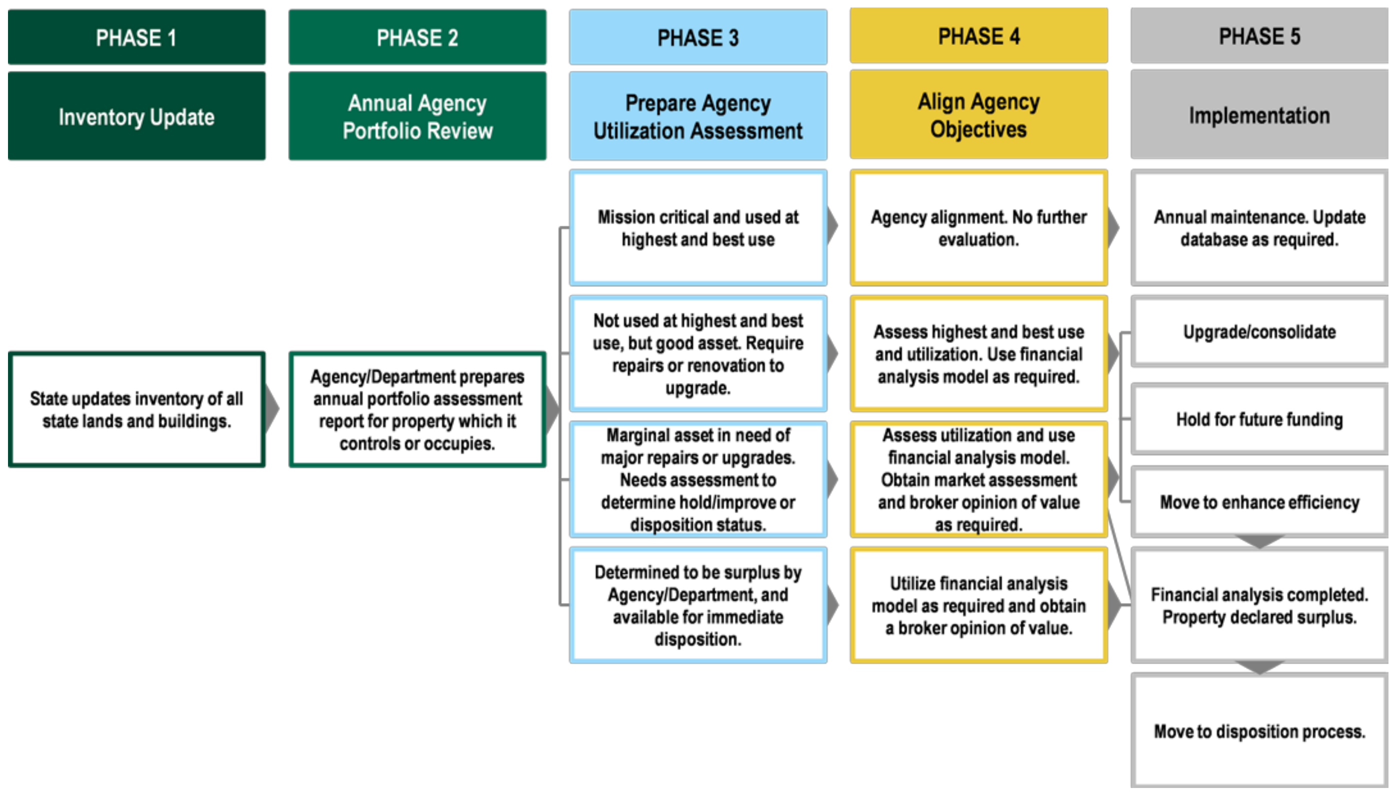
<table>
<tr><th colspan="2">SAMPLE DISPOSITION OPPORTUNITIES</th></tr>
<tr><td>252 South Pleasantburg Drive, Greenville, SC
Renovate and densify the building currently occupied by DOT in Greenville
Relocate other state operations from less efficient buildings
Increase total headcount from 122 to 208
Timing – Anticipated occupancy 2018
Capital expenses thru 2020: $782,224
Net Present Value Model
Current Conditions: $25,953,204
Renovated Scenario: $16,007,890
NPV Savings: $9,945,314</td><td>Consolidate Charleston office space into a newly built office building
Consolidate various operations into a newly built office building on current surplus state owned land
Reduce occupied square feet: 81,000 to 58,000 SF
Timing - Time required for construction of a new office building (2-3 years)
Capital expenses thru 2020: N/A – New Construction
Net Present Value Model
Current Conditions: $30,554,574
Renovated Scenario: $24,973,168
NPV Savings: $5,581,406</td></tr>
<tr><td>Renovate Mission Critical Owned Space to Gensler Space Standards — Sell 2221 Devine Street
Relocate tenants from 2221 Devine St., 1800 Gervais St., and other leased space to renovated owned space
Reduce occupied square footage from 131,000 SF to 77,000 SF
Sell 2221 Devine and 1800 Gervais
Incorporate portion of new leased parking space costs
Timing – Anticipated occupancy 2018
Use extra space for swing space
Capital expenses through 2020: $7,822,995
Net Present Value Model
Current Conditions: $50,714,767
Renovated Scenario: $38,201,236
NPV Savings: $12,513,531</td><td>Renovate Mission Critical Owned Space to Gensler Space Standards — Sell Rutledge Building
Relocate Department of Education from the Rutledge Building to renovated space in owned buildings
Reduce occupied square footage utilized from 130,922 SF to 81,060 SF
Sell Rutledge Building for redevelopment
Timing – Anticipated occupancy 2018
Marketing and sale of Rutledge Building to commence - 2019
Capital expenses through 2020: $ 5,851,978
Net Present Value Model
Current Conditions: $40,336,681
Renovated Scenario: $35,935,534
NPV Savings: $4,401,147</td></tr>
</table>

Disposition Evaluation Model

While some agencies may need help in identifying surplus properties in their portfolio, others may need help in obtaining funding to cleanup sites, remove asbestos, etc. The following model can be used to establish whether a property is a candidate for disposition.

Through a series of diagnostics, the Department of Administration can determine if a property is used to its highest and best use and, if not, whether additional capital should be deployed to improve the asset or whether the asset should be disposed of by lease, sale or other means. Deployment of a disposition analysis framework requires training to help agencies understand how to identify surplus opportunities and to engage the Department of Administration in discussions concerning next steps.

AGENCY DISPOSITION EVALUATION MODEL



APPENDIX – CENTRALIZED REAL ESTATE MANAGEMENT

CBRE

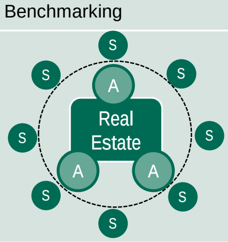
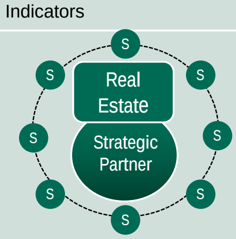
APPENDIX – CENTRALIZE ALL REAL ESTATE MANAGEMENT

EVOLUTION OF REAL ESTATE ORGANIZATION

The following chart shows the current evolution of many organizations similar to South Carolina that are changing the structure and function of their real estate group to achieve a management model that is more strategic and better aligned with the needs of agencies and taxpayers.

- The State's Department of Administration is currently between the first and second generation structures noted on the following chart.
- The evolution and advancement across structures to better support state government is highly dependent upon the support of executive leadership. If this support is not given – then the natural pull is back towards a first generation reactive strategy which does not allow for innovation or timely results.

Evolution of Real Estate Management Structures

Management Structures	First Generation	Second Generation	Third Generation	Fourth Generation
Strategy	• Reactive	•Increasing focus	• Established discipline	• Integrated/evolving with business
People & Organization	• Heavily insourced • Focus on early adopters	• "Core competency" concept • Functional silo outsourcing • Heavy functional shadowing	• Integrated outsourcing • Eliminate the shadows • Variable resource models	• Global integrated outsourcing • "Just in time" expertise • Leadership
Partnership	• Large Real Estate function • Reactive/order taking • Inconsistent use of suppliers	• Small Real Estate function • Out-tasking • 1st tier preferred suppliers	• Small Real Estate function • 1st tier alliance partnerships • 2nd tier suppliers	• Strategic Real Estate function • One strategic integrated partner • 2nd tier delivery partners
Process	•Ad hoc, inconsistent process across multiple locations	• Process documentation and codification	• The drive for consistency • Portfolio-wide	• Multi-disciplinary program management, even across business functions
Systems & Technology	• Ad hoc implementation	• Focus on key functions (e.g. lease administration)	• Standardization; integration • Reporting • Point solutions	• The promise of breakthrough efficiency through enabling technologies
Performance Measurement	• Ad hoc	•Functional Key Performance Indicators	• Measure what matters • Benchmarking	• Total outcome Key Performance Indicators
Typical Operation Model				
Pros	•Client control •Functional Excellence	•Improved unit pricing •Best-in-class •Specific service	• Improving consistency • Supplier accountability	• Cross function/ geo-integration • Removes redundant infrastructure • Staff productivity enhancement • Improved utilization
Cons	•Inconsistent •Silos •Duplication	•Hard to manage •Transitional silos •Added management	•Supplier silos •Multiple data set	•Complex to govern

Key: S: Supplier; PS: Preferred supplier ; A: Alliance partner

APPENDIX – CENTRALIZE ALL REAL ESTATE MANAGEMENT

BENEFITS TO ORGANIZATIONAL DESIGN MODELS

Organizational models do not limit desirable platform elements

- Core service delivery elements such as Transaction, Project and Facilities Management are aligned with organization models
- Scalable elements are enhanced through a centralized approach
  - Information management
  - Portfolio planning
  - Relationship management
  - Strategic sourcing
  - Performance measurement
  - Workplace programs
  - Best practices are reinforced through the use of organizational models.
- Customer Relationship Management (CRM): Aligns the Real Estate group with departments
- Strategy: Provides proactive solutions and innovation (portfolio, market, organizational)
- Centers of Excellence: Provides technology, process consistency and best practices across organizational boundaries
- Program Management Office (PMO): Integrates service delivery from project inception through operations
- Recommendation: CBRE recommends the development of a functional design model with an imbedded geographic organization under functional areas, to accommodate field services in multiple locations.

RECCOMMENDATION

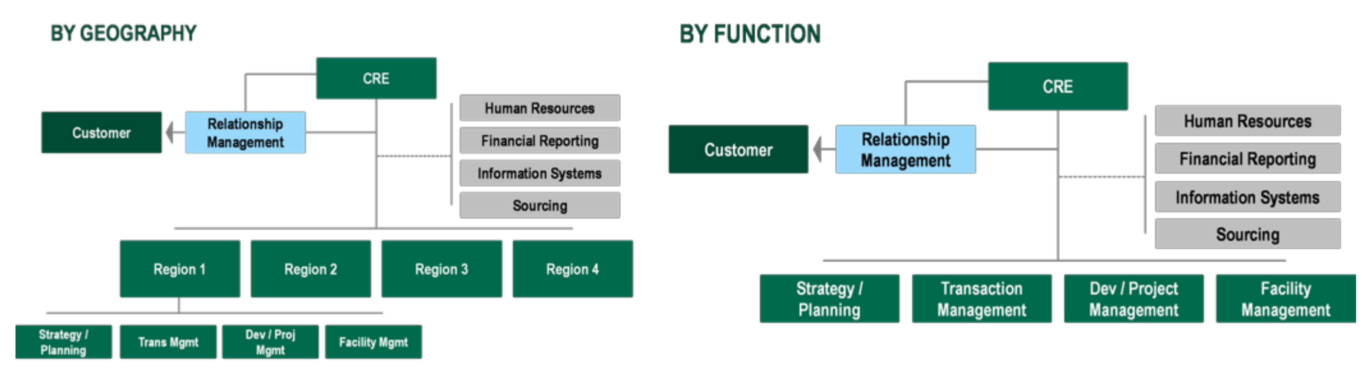
CBRE recommends the development of a functional design model with an imbedded geographic organization under functional areas, to accommodate field services in multiple locations.

IMPLEMENTATION SPOTLIGHT

Organizational Design Model

While there is no “one size fits all” model for a centralized real estate organization, two relevant models are 1) Functional Organization and 2) Geographical Organization. They have different strengths, weaknesses and uses.

SAMPLE ORGANIZATION MODELS



Functional Organization Model

- Benefit
  - Most efficient organizational structure (least amount of management duplication)
- Challenges
  - More difficult to manage unique Agency/Department needs, diverse property types and large/ diverse geographies
  - Requires more focus to coordinate and deliver services across functions (e.g., Transaction, Project and FM)

APPENDIX – CENTRALIZE ALL REAL ESTATE MANAGEMENT

- Common Application
  - Most often used in organizations with concentrated portfolios, homogenous property types, and/or service delivery requirements
  - Often used as a secondary organizational axis for organizational with geographic or operational unit structures
  - Can be used with geographically dispersed portfolios or diverse property types only with complete Centralized Real Estate (CRE) control

Geographic Organization

- Benefits
  - Enables management of services across functions within a specific region
  - Reduces total travel and increases managers' knowledge of portfolio
- Weaknesses
  - More difficult to manage unique agency/department needs or diverse property types
  - Less efficient if Functional organizations are replicated in each region (duplicate management and inconsistent processes)
- Common Application
  - Most often used in organizations with geographically disparate portfolios, often requiring knowledge of local laws and customs
  - Within each region, Centralized Real Estate groups typically deliver services using a functional model
  - Customer Relationship Managers are also sometimes used within (or across) regions to align with business unit needs

TRANSITION COSTS

CBRE has worked with many clients who transition to a more centralized and outsourced model. The cost of transition for a sampling of 8 transitions with an average portfolio size of 5,500,000 SF was $1,200,000 with of range in expense from $600,000 to $1,600,000. These costs may be carried by the client or shared at some level with a service provider based on the size, complexity and term of any associated contracts. Costs may include:

- Project Management
- Transaction Management
- Facilities Management
  - Health, Safety and Environmental
  - Sourcing
  - Critical Environments
- Human Resources
  - Hiring
- Accounting
- Technology

PORTFOLIO TRANSITION COST ESTIMATE				
TRANSITION SAMPLE	AVERAGE PORTFOLIO SIZE (SQ. FT.)	AVERAGE TRANSITION COST	AVERAGE TRANSITION COST LESS IT	AVERAGE IT TRANSITION COST
8 Transitions	5,500,000	$1,200,000	$800,000	$400,000

ORGANIZATION REALIGNMENT

Benefits

Organization realignment must occur to create an optimized real estate organization. The following chart indicates the various changes across portfolio management that must occur to realign the organization for a higher level of performance.

Organization Realignment Overview

Dimension	From	To	Benefits
1. Geographic Integration/ Centralized Decision Making	▪ Departments in organizational silos with minimal centralized governance	Centralized management model: ▪ As appropriate, centralized data/ systems, processes, approvals, controls, reporting, initiatives ▪ Some local aspects may remain	▪ Transparency ▪ Consistency ▪ Risk mitigation
2. Systems and Data Integration	▪ Fragmented systems and tools – which may be “owned” by different parties – DAS, multiple Service Providers ▪ Homegrown systems that cannot adapt or scale	▪ Statewide consistent, integrated functionality ▪ Focus on “first things first” – statewide portfolio data, analytics, opportunities	▪ Data consistency and integrity ▪ Risk mitigation ▪ Critical platform for enabling local and global strategy
3. Supply Chain Integration	▪ Fragmented Service Provider relationships ▪ Geographies & service lines split between Providers with minimal opportunities for synergies & scale ▪ Added Service Provider management expense and transaction time	▪ Consolidation to one or two providers statewide ▪ Focus on integration and alignment with real estate’s enterprise and operational goals and objectives ▪ Incentives aligned with delivery of total enterprise outcomes	▪ Strategic alignment and focus ▪ Streamlined team and management fees ▪ Synergies and scale; reduced costs and cycle times
4. Service Line / End-to-End Process Integration	▪ Dominant focus on service line processes and performance ▪ Service line orientation may exacerbate the silo effect and lead to sub-optimal end-to-end outcomes	▪ Introduction of Project Management discipline into the delivery model ▪ Integrated end-to-end delivery of solutions focused on total outcomes that provides visibility to the status of key activities in process ▪ New management routines focused on resolution of issues that pose risk to budget, schedule, or quality	▪ Improved outcomes: cost, quality/scope, schedule
5. Enterprise Performance Management	▪ Real Estate has some metrics, but they are not comprehensive and aligned to overall State goals and objectives	▪ “Cascading” performance management model that aligns State goals, Real Estate priorities/ management metrics, and Service Provider management metrics	▪ Strategic agency alignment ▪ Manage & message Real Estate’s value to the enterprise

INTEGRATED PERFORMANCE REPORTING (IPR)

IPR Benefits

Integrated performance reporting is an outcome of the development an optimized real estate organization. The performance reporting model enables all participants to monitor and measure performance.

INTEGRATED PERFORMANCE REPORTING MODEL				
STATE GOALS	STATE LEADERSHIP	REAL ESTATE SENIOR MANAGEMENT	REAL ESTATE FUNCTIONAL MANAGEMENT	SERVICE PROVIDER
Reduce Efficiency Ratios	• Occupancy Ratios • Operating Expenses	• Occupancy Cost Expenses / FTE • Occupancy Cost Expenses / workspace • Utilization ratio (FTEs / # workspaces)	• Occupancy Cost Expenses / Area (SF) • Are / FTE • Total cost of vacant space / occupancy cost	• Operating cost breakdown by area (SF)
Increase Productivity	• Administrative cost / area	• Are managed / FTE	• Transactions • Project Value / Project Management • Property / Facilities Management	• Properties / Technical Service call frequency • Service call response time
Reduce Operating Risk	• Prioritize major occupancies • Reduce portfolio footprint • Data / process metrics	• Prioritize critical scheduled maintenance • Project that are over budget	• Health. Safety, security, and environmental • Compliance	• Operational benchmarks • Equipment performance benchmarks
Efficient Capital Deployment	• Capital commitment by Department (trend / forecast) • Capital pipeline ROI	• Depreciation forecast	• Project cost / SF	• Component cost / SF
Customer Satisfaction: Enable customers to focus on Core Service Delivery	• Overall satisfaction with service	• Satisfaction across major categories	• Satisfaction relative to functional categories	• Satisfaction across service specific categories
Employee Satisfaction	• Overall satisfaction with organization	• Satisfaction across major categories	• Satisfaction relative to functional categories	• Satisfaction across service specific categories

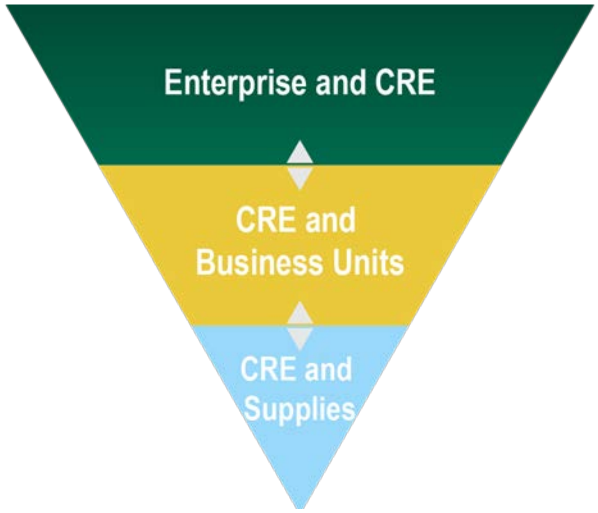
APPENDIX – CENTRALIZE ALL REAL ESTATE MANAGEMENT

INTEGRATED GOVERNANCE MODELS

Governance Model Defined

- For integration of any type to be effective, clarity about governance practices is essential
- Governance describes the people, policies and processes that provide the frameworks for organizations and partners to make decisions and take actions to optimize outcomes related to their individual and combined spheres of responsibility
- The diagram to the right illustrates the relationships between a Centralized Real Estate (CRE) function and the Enterprise, Departments (Business Units) and Suppliers
- Governance structures include:
  - Real Estate Advisory Councils
    - Geographic
    - Agency Function
    - Asset Type
  - Client Relationship Management
  - Committees and Subcommittees
  - Initiative Teams
  - Documented Policies & Procedures
  - Documented Decision Support Methodologies

CENTRALIZED REAL ESTATE FUNCTIONAL RELATIONSHIPS



Process Recommendations

CBRE recommends that South Carolina implement a Shared Services Model for oversight and management of its real estate portfolio. The private sector has been utilizing Shared Services since the 1980's with a large number of Fortune 500 companies employing the model. Two primary components of Shared Services are related to human resources and process efficiency.

Duplication of effort and redundant resources can be eliminated via consolidation of human resources. Processes drive efficiency which drives savings which is the second benefit of Shared Services. Positive outcomes of Shared Services models include: economies of scale, centers of expertise, data management and analytics, best practices and customer service. However, in order to drive process standardization and efficiency, the organization must:

- Set up and utilize technology platforms to achieve desired results
- Foster cultural change and employee adjustment to transform the organization from a decentralized model to a shared services model
- Facilitate constant communication with a robust change management program.

Role of Portfolio Managers

CBRE recommends that South Carolina formalize the role of Portfolio Manager with a defined set of roles and responsibilities. The following list identifies the primary roles of that function.

- Facilitate the delivery of services provided by the State through an optimized real estate portfolio
- Manage the portfolio in a cost effective manner in order to maximize the value of every dollar allocated to real estate
- Support the long term role of government throughout the delivery of all services and in the State
  - Minimize operational constraints in the delivery of services
  - Meet the workplace needs of state workers
  - Maximize facilities to enhance productivity
  - Provide a framework and management structure for effective decision making
  - Develop tools to support financial decision making
  - Develop business continuity strategies to reduce risk and financial loss

TECHNOLOGY SHOULD BE USED TO INTEGRATE DATA, TOOLS & PROCESSES

Tools & Technology Strategy

Individual skills are no longer enough if they are not supported by a technology based network of collective knowledge and tools to provide state of the art services. Without these tools the state is limiting the ability of its staff to meet the growing demands of the public and to effectively maximize efficiencies, better use resources and avoid financial burdens caused by declining infrastructure.

To implement an effective Tools & Technology strategy the state needs to determine how the services are going to be provided in the short, medium and long term. That internal assessment can prepare employees to render services today while anticipating and responding to new demands that arise tomorrow.

The main objective of adapting any type of technological advancement is to provide adequate data integration to facilitate decisions on investment, prioritization of capital needs, plan for obsolescence of infrastructure and even organize staffing needs.

Technology becomes a tool that can:

- Provide real time data to a network of mobile devices carried by Facilities professionals
- Optimize and prioritize the time that staff spends maintaining the infrastructure
- Provide staff with up-to-the minute assessments of equipment and critical components
- Help determine the return on the investment of repairs and capital expenses.

REAL PROPERTY DATABASE REVIEW AND OBSERVATIONS

REAL PROPERTY IDENTIFICATION APPROACH

The State of South Carolina required verification of the existing state property database to insure that it:

"…accurately identifies all properties owned by, deeded to, or titled in the name of the state or an existing or prior state agency or otherwise controlled by the state through some other legal means (including but not limited to property held by the state or an agency in fee simple, leasehold interest, easement or license by or with the state or any state agency) unless the property does not appear in any public record."

PROPERTY DATABASE SUMMARY		
CURRENT STATUS/OBSERVATIONS	RECOMMENDATION	BENEFITS
• All State and agency properties in the database have been identified and confirmed. Agencies may have property outside the State database	• The State is currently assisting agencies with property outside the State's database such as DOT to reconcile any anomalies in its portfolio.	• Reduction in property records with missing data • Possible source of revenue from identified properties that could be sold.
• Current sources of State data & access are spread across several platforms and databases	• SCEIS needs resources to enhance/link all property related modules/data inputs, set up a procurement portal and upload data	• Better management of leased and owned space will enable the State to lower real estate spend
• Databases have different protocols and staff with access to data & changes to information	• Establish data protocols to consistently capture, update and track all real estate owned or occupied by the State	• Reduces errors in data entry • Limits input access to trained & authorized staff

•

Database Management

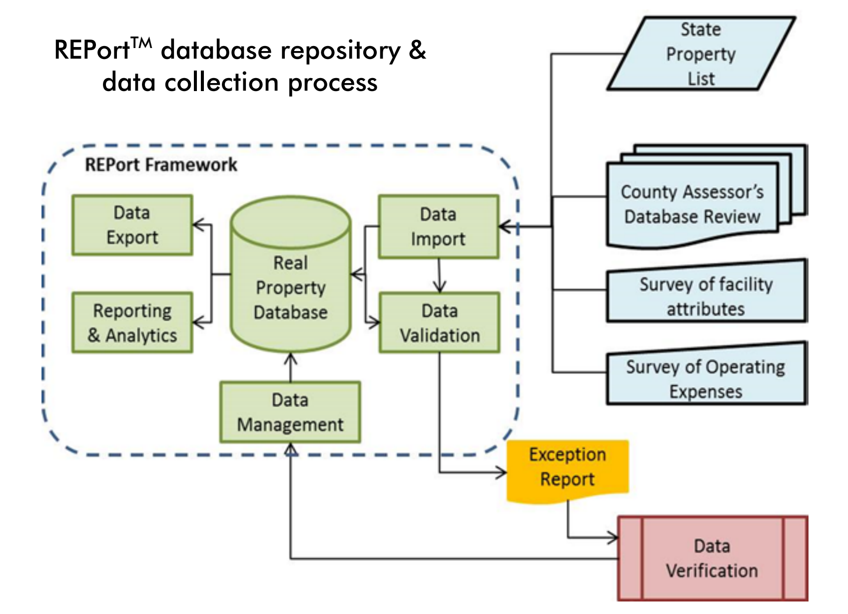
- Pursue resolution of property data conflicts and update the master list of owned and leased properties.
  - The State reconciled its property database and is now working with agencies such as DOT to reconcile agency data
  - Timing: 3 months
  - Cost: Low
- Fully integrate SAP Enterprise Management software with data from Tririga and Facilities Condition Assessments
  - South Carolina Enterprise Information System needs resources to enhance/link all property related modules/data inputs, set up a procurement portal and upload data from various sources
  - Timing: 12 to 18 months
  - Cost: Low to Medium – Cost depends on level of integration the State desires and cost of platform upgrades
- Develop database management standards to update and track all State property records
  - Train staff to input, track and use data
  - Use database to track property use across all departments/agencies
  - Timing: 3 to 6 months
  - Cost: Low – Staff resources to identify and track records

Database verification efforts were undertaken through a direct county-by-county search of Assessor database records. Additional database information was collected, supplemented, and verified through Facility Condition Assessments and the Space Audit process.

APPENDIX – CENTRALIZED REAL ESTATE MANAGEMENT

- Assessor data collection efforts included the following steps:
  - County Assessor records were obtained from all 46 counties, identifying the county Assessor listings of properties owned by the state of South Carolina.
  - Each county Assessor was contacted, the preferred reporting format was requested, and the scope and content of available reports from each Assessor records were reviewed.
  - Primary data comparisons between the state and county Assessor databases included: 1) Ownership information, 2) Property Location and Address information, and 3) Acreage information provided by the state and confirmed by the Assessor records.
  - A keyword search using the previously provided state supplied list of current and former state agency and instrumentality names (the "Keyword List") was performed in each Assessor's database for each county.

DATA COLLECTION FRAMEWORK



  - Upon completion of the review and comparison of the Assessor database records against the state database, additional reviews to minimize or clarify anomalies were conducted utilizing other available resources such as Google Earth searches of property addresses provided by the state (which were not confirmed in the Assessor database review process) and review of GIS database information in the counties having a functional GIS system available.

COMPILATION OF REAL PROPERTY INFORMATION

Data collected from Assessors, Facility Condition Assessments, and the Space Audits was compiled into an integrated database. Steps taken to compile the database included:

- Converted, input, and merged the collected data obtained from the Assessor and existing state records to a deliverable database (MS Excel format).
- Confirmed the information provided by the state regarding owned parcels of real property where identifying factors contained in the available Assessor records were reasonably compatible or consistent.
- Created new property entries in the deliverable database using the identifying factors collected in the review of the Assessor records where those identifying factors could not be reasonably correlated to the existing identifying factors shown on the state inventory of owned properties.

DATABASE COMPLETION

All collected central database information was compiled using the REPort™ framework, developed and maintained by CBRE and Ironbridge Systems, demonstrated in the diagram.

Database Inputs

The CBRE Team implemented a comprehensive data collection process that included:

- Reviews of all records in the available Assessor databases and input, merger and creation of new entries in the deliverable database.
- Appropriate owned property information
- Translation of data into electronic formats for entry into a centralized data repository
- Geocoding of the properties and entry into the centralized data repository

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DATABASE REVIEW

Original Portfolio from the State Database

The distribution of property records by type is shown in the table below.

PROPERTIES IN THE SOUTH CAROLINA DATABASE	
PROPERTY TYPE	NUMBER
Land	2,501
Buildings	7,851
Total	10,352

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DATA TRANSFER TO THE SOUTH CAROLINA STATE DATABASE

The CBRE team transmitted the data to the state. The submission contained the following information when available:

- A document describing the data dictionary for the property information contained in the data files
  - Property information will be classified into the following and include additional data sources for future analysis for the Strategic Plan:
- Dimensions – non-numeric data such as counties, cities, address, and usage
- Direct Metrics – numeric attributes such as area, headcount, rent, assessed value etc.
- Computed Metrics – derived metrics such as Sq. Ft./Employee, Rental Rate, O&M costs/Sq. Ft. etc.
- Data files:
  - Table containing property records and attributes for Land parcels owned by State
  - Table containing buildings owned by State identifying the controlling and occupying agency
  - Table of counties
  - Table of Cities
  - Table of State Agencies by Agency code

LEASING IMPLEMENTATION SUMMARY

CURRENT OBSERVATIONS AND RECOMMENDATIONS

REAL ESTATE LEASING BEST PRACTICES		
CURRENT STATUS/OBSERVATIONS	RECOMMENDATIONS	BENEFITS
• Space reporting is required of the Agencies, but has been unreliable • South Carolina has started an initiative to refine data	• State should amend 1-11-58 to require all agency data reports to include space and occupancy data	• Tracking space and utilization will help identify occupancies with low utilization and target opportunities for savings
• Revise lease solicitation rules to streamline the process while maintaining integrity • The State often does not manage furniture & IT build -out	• Continue narrowing the choices to 3 – 6 properties to save time and enhance negotiations • Provide formal written responses to Landlords • Manage furniture/ cabling build out	• Greater speed to market for State occupancies • Written responses Formalizes process • Greater engagement in build-out will save money
• Committee and Authority approvals required for leases committing greater than $1 M in 5 yr. period	• Review and revise lease approval process to grant prior approval before going to final solicitation	• While maintaining approval authority, a change in the process will avoid delays in space delivery
• Cancellation options limit the amount of tenant improvement funds & lease term • To compensate for risk, funding language will generally cost more or limit interest in the real estate community	• Review options for limiting the use or inclusion of the appropriations clause in return for greater concessions • Assess level of acceptable risk and determine if some points of negotiations can be modeled to mitigate landlord's fear of the state cancellation of space	• Enhances the tenant improvement packages • Improves terms available through extension of length of lease
• Lease renewal options are found in leases, but it is rare that agencies are given approval to exercise the renewal without going back through the approval process	• Consider the negotiation of lease renewal options at 95% of Fair Market Value	• Allows for lease renewals at favorable market rents
• Audited uncontrollable operating energy costs not used to update lease terms	• Use actual audited uncontrollable operating energy costs • Look to cap cost increases	• Audited energy costs caps on expense increases will help to control future cost increases
• Rental or Lease payments used to assess leases, especially when related to approval thresholds	• Use net present value (NPV) analysis for occupancy cost comparison as well as approval thresholds	• NPV analysis will give a more accurate assessment of terms and provide State with a more accurate depiction of actual deal costs

South Carolina uses internal resources to provide leasing services to agency clients. The leasing group is small for the volume of leases handled. Tenant representation from third party brokers is not used on a regular basis. Internal leasing staff is not engaged in overall portfolio planning with agency clients.

PRIMARY INITIATIVES

Property Reporting

- While base reporting of data is required under 1-11-65, section 1-11-58 should be amended to require additional reporting on leased space, as well as owned space.
  - Information required should include:
    - Amount of square feet leased
    - Surplus space available for re-use or termination
    - Number of employees currently working in a space
    - Employment forecasting
  - The State should continue to track additional occupancy expenses above base year operating costs at a lease level instead of by building.
  - Forms currently required are appropriate, however many require modification following delivery of the strategic plan.
  - Timing: 6 – 12 months
  - Cost: Low as this is an administrative change

Lease Solicitation

- Refine the solicitation process to reduce time spent on projects that don't fit the scope to expedite the acquisition process
  - Solicitations should be sent to Landlords with available space, followed by a refinement of responses that will eliminate poor options, as well as ones that do not fit the scope of the solicitation.
  - Continue to narrow the choices to three to six likely properties for a property tour.
    - By narrowing likely options to a competitive set of three to six, the State will receive more competitive offers.
    - This process will encourage landlords to be more aggressive when they know that they are part of a final cut rather, than one of many possibilities.
    - In certain situations, notifying landlords of their competitive set may drive value to the State.
  - After property tours, the list should be further narrowed to the likely best options and interviews held with landlords, users and attended by a Department of Administration representative to maintain the integrity of the process
  - Those options should be asked to provide a test fit, construction price and a final lease cost. Final lease should be negotiated on these terms.
- A formal written response is important to mitigate the confusion and streamline communication
  - All communicated items that could be negotiated should be in writing.
  - Timing: 6 – 12 months
  - Cost: Low as this is an administrative change
- Manage the installation of furniture and cabling internally
  - Currently, many solicitations request that landlords provide cabling and furniture in new leased spaces while in the commercial lease marketplace, these are typically needs that are paid for, installed and maintained by end users.
  - Because of economies of scale for both furniture and telecom infrastructure, the State should be able to manage the process more efficiently and cost effectively.
  - State installation of infrastructure and IT will maintain a secure technological environment
  - Timing: 3 – 6 months
  - Cost: Low as this is an administrative change

APPENDIX – CENTRALIZED REAL ESTATE MANAGEMENT

Lease Process

- Change language to allow the Department of Administration to approve leases to expand or amend existing major leases (> $1M over 5 years) with a maximum 10% of lease value threshold, with Department of Administration approval .
  - Currently, if a state agency with a major lease knows that they will grow and need more space than is included in the initial approval, they are not able to amend their initial lease without additional approvals.
  - While staff involvement and approval should be necessary, amending a lease should not require extensive rounds of approvals.
  - Agencies miss opportunities for efficient expansion because of the required process and timeline.
  - Timing: Near to medium term – May require legislation to roll-out requiring 6 – 12 months
  - Cost: Low cost as this is an administrative change
- Department of Administration real estate staff should be the single-point-of-contact with landlords and lead all lease negotiations. This eliminates multiple issues that can arise and maintains the negotiating posture of the State.
  - While at the appropriate time users and prospective landlords should be allowed to discuss user needs in order to better align agency needs with space, agencies should be trained to discuss all real estate matters with the Department of Administration.
  - Define and clarify the term “negotiations” as used in Exhibit C and in 19-447.1000 4 F. As Agency’s are educated on how real estate supports their mission, they will have clearer understanding of what they should and should not discuss with potential Landlords
  - Timing: 6 - 12 months
  - Cost: Low cost as this is an administrative change
- Identify opportunities to shorten the lease process to accommodate an agency’s need to acquire space with a short acquisition time frame.
  - Current requirements in the policies direct agencies “to allow time for solicitation, review, negotiation, Administration and Committee approvals (as required) and document execution.”
  - Building code and fire code approval in the permitting process can add a significant amount of time to the build-out process making lead time needed unpredictable.
  - Applying universally accepted space standards when soliciting would expedite defining the space requirement and remove subjectivity.
  - Timing: Near to medium term – May require legislation to implement; 12 – 18 months
  - Cost: Low as this is an administrative change

Lease Options

- Early termination options, in lieu of appropriation cancellations, should be considered when an Agency requires a certain level of flexibility with regard to lease term while allowing the State to leverage their credit by guaranteeing a portion of lease term.
  - Where agency occupancy is relatively secure, to better position the State in negotiations, the State should encourage the signing of 7 or 10 year leases with early termination options in year 5, to gain leverage in negotiations for more efficient space.
  - While it may be more common in other commercial leases, a landlord is less likely to allow an early termination option in addition to the appropriation language
  - Timing: Medium Term – May require changes in legislation
  - Cost: Low
- Lease renewal options should be reviewed to provide greater leverage to the State

  - The state should consider incorporating renewal options that do not require board approval at a rate of 95% of fair market values for certain agencies
  - Timing: 12 – 18 months
  - Cost: Low as this is an administrative change
- Lease appropriation language should be reviewed. Certain agencies require a level of flexibility with regard to lease term. An early termination clause would allow the State to leverage their credit by guaranteeing a portion of lease term, resulting in economics more favorable to the State.
  - A landlord is less likely to consider a cancellation option in addition to the appropriation language
  - While the state has the option to terminate leases based on the appropriations clause, discretion should be exercised at all costs.
  - It may work to the state's advantage in leases for agencies with likely continued funding to remove the appropriations clause (1-11-56 (3) (a-c)) in return for greater tenant improvement allowance and a longer lease term but with a defined cancellation option.
  - Note that a change in appropriations language will likely require a change in legislation.
  - Timing: 12 – 24 months
  - Cost: Low - Terms should be more favorable without a large increase in risk as there are remedies to excess space such as subleasing and buyouts that if factored across a portfolio are likely to be less than the savings achieved with every lease

Additional Lease Expenses

- Develop and use standards regarding expense caps and operating costs above a base year
  - The current competitive market regulates pass-throughs.
  - This should not be part of the initial lease qualifying process but should be included further in the process if the building makes it past the initial screenings
  - If increases are stated in a lease, use a fixed rate increase, instead of variable CPI increases to reduce risk and uncertainty.
  - Be consistent with expense pass-through language and provide a uniform cap on controllable operating expenses. The cap percentage may vary based on geography and market standards.
  - Timing: 6 – 12 months
  - Cost: Low as this is an administrative change
- Confirm actual audited uncontrollable operating costs during lease negotiations.
  - Inefficient buildings result in a higher cost to the State, particularly regarding leases where operating costs are passed through to tenants with no expense cap.
  - Analyzing actual historical uncontrollable operating expenses will help predict future obligations that are not traditionally capped by Landlords
  - Specifically the State should audit energy costs to ensure that the base lease rates reflect the actual energy costs.
  - Timing: Immediate
  - Cost: Low as this is an administrative change
- For occupancy cost analysis comparisons, replace gross consideration analysis with a net present value analysis
  - Occupancy cost analysis that is referenced in the Real Properties Services Procedures Manual, section 5(b)(VI) should be applied using an appropriate discount rate with a net present value rather than total gross consideration when comparing solicitation responses. The State is currently using ProCalc for proposal comparisons. This should be mandated and used in determining threshold requirements for approval
  - Timing: 6 to 12 months – May require training to roll-out
  - Cost: Low as this is an administrative change

BROKERAGE SERVICES IMPLEMENTATION SUMMARY

CURRENT OBSERVATIONS

South Carolina uses internal resources to provide leasing services to agency clients. The leasing group is small for the volume of leases handled. Tenant representation from third party brokers is not used. Internal leasing staff is not engaged in overall portfolio planning with agency clients.

BROKERAGE SERVICES SUMMARY		
CURRENT STATUS / OBSERVATIONS	RECOMMENDATIONS	BENEFITS
• Currently self-perform many sales and leasing functions • Small staff for size of portfolio	• Engage third party leasing & sales brokers to provide tenant representation, acquisition and disposition services for the portfolio • Establish key performance metrics to guide execution and measure results • Link sales, leasing and lease administration system to real state enterprise platform	• Reduction in time spent by the state in leasing process, market research and sales negotiations that can be handled by brokers • Allows reallocation of staff resources to more strategic assessment of agency portfolios on an ongoing basis
• Uncertainty and inability of agencies to sell surplus space	• Agencies are often unable to move from underutilized space due to lack of funding for moves, inability to assess real estate strategically and lack of resources to guide the process • Recommend the training and support of agency staff to identify surplus assets • Provide funding to move and build out replacement space while providing funding for demolition of obsolete space. • Review the process for appraising, pricing and administering sale properties.	• Enables agencies to execute space/ cost saving strategies • Allows capital to be redeployed • Trains staff to identify signs of underutilized space

The goal of increasing surplus property sales is dependent upon the determination by an agency and the real estate staff that a property can be made surplus and that an alternate location is viable and that funding is available to pay for move and fit-up costs in an alternative location.

PRIMARY INITIATIVES

Transaction Management Representation

- Engage Third Party Help for Transaction Management Representation - Most large private sector companies and many large government entities such as the federal GSA engage tenant representation brokers to assist in advising market research and negotiations for leases and property sales.
  - 3rd party engagement will provide the state with better market reconnaissance
  - Tenant representation will free up State Property Office staff to engage with agency clients
  - Timing: Near term
  - Cost: Low – Brokerage fees paid by the Landlord for leases are already built into owner's pro-forma and base rent. Sale commissions while paid by the seller, are usually covered by the proceeds from the property

Property Disposition

- Train agencies in qualifying surplus assets and provide financial assistance as required to dispose
  - Agencies need to be trained in how to identify opportunities for potential asset sales
  - Funding needs to be provided for some assets (demolition, asbestos removal, etc.) in order to make the property marketable as funding is often not found in agency budgets
  - Timing: Short term
  - Cost: Low to Medium – Some up-front costs can be recovered from sale proceeds

Sample Savings From Broker Representation

- Potential savings from broker representation can be categorized. The following table represents CBRE's 9 year experience working as the exclusive tenant representation broker with an eastern state.
- Conflicts of Interest were managed in a manner similar to the discussion that starts on the following page.

NINE YEAR SAVINGS ESTIMATE FROM A SINGLE SOURCE STATE LEASING CONTRACT		
SAVINGS CATEGORY	DESCRIPTION	TOTAL SAVINGS
Cost Savings	Reduced space from existing lease through the use of new space standards and / or collocation	$22,689,000
Cost Savings	Reduced rental rate per square foot from existing lease	$28,836,000
Cost Avoidance	Improved economic terms from value added during negotiation process	$28,145,000
Cost Avoidance	Reduced space from original agency request by arranging for collocation or more efficient space utilization	$2,128,000
TOTAL SAVING (9 YEARS)		$81,798,000

PROPOSED LEASING PROCESS

Develop a space allocation process that reflects current trends, standards and changing methods of work. Hoteling, mobile workforces and technology have all impacted how space is designed, used, and allocated to employees.

- Department of Administration should initiate the lease action 18 – 24 months prior to expiration.
- An agency relationship manager should be assigned to the user agency to fully understand how real estate supports the agency mission and operations.
- Department of Administration should assign a tenant broker to assist the customer relationship manager in the acquisition of space for the user agency.
- Department of Administration oversees the process from receipt of a request for space through property identification, negotiation and build out and occupancy of space.
- This approach eliminates the multiple touch points throughout the process, centralizes control and creates centers of excellence (e.g. transaction strategy, lease procurement, construction).
- A space request should raise many questions concerning space use. How much space does the agency currently use at this location? How many employees are located here? Do any of these employees perform services in the field? How much time are these employees in the office? All of these questions support a different occupancy model that we expect will significantly reduce the amount of space the State occupies.

The space request should be automated and re-developed to include timelines, responsibilities and critical paths. It should further allow for reporting to determine if performance measures and timelines have been met.

IMPLEMENTATION SPOTLIGHT

Broker Conflicts of Interest

Introduction

This report recommends that the State use more 3rd party vendors to help execute a more robust real estate portfolio strategy. Inherent in such a strategy is the potential for conflicts of interest. The following discussion highlights the most common conflicts of interests encountered in the commercial real estate business, and will provide the State with a description of processes and methods used by some government entities to address common conflicts. This information will help the State make careful and informed decisions when engaging 3rd party commercial real estate firms to assist with real estate transaction and management activities.

Commercial v. Government Practices

Inherent in the real estate services industry – regardless of the geographic size or revenue amount of the services provided – are situations where the interests of clients might conflict (or appear to conflict) with the interests of the service provider, or in some cases other clients. Typically in the commercial/private sector, these conflicts are identified and disclosed and most of the time waived by the client due to the conflicts mitigation protocols routinely implemented by service providers. One of the reasons for this willingness to waive conflicts is probably because private sector companies have worked with commercial real estate providers for over 100 years and are familiar with industry norms and practices.

The historical context is different for government entities. Until the last decade, governments have typically not partnered with commercial real estate providers and remain generally unfamiliar with industry norms regarding conflicts. It is well known that government entities operate within a substantially different operational framework than the private sector. For example, one of the primary purposes of any government procurement or contract administration function is to ensure a fair and transparent process that does not unduly favor or penalize any bidder or service provider. Every aspect of the contract pursuit, negotiation and project delivery is infused with this concept. Avoiding actual, perceived or even potential conflicts of interest is perhaps the single most pressing issue for procurement and post award contract officers – even something as remote as a potential conflict could be perceived as undermining the fairness of the procurement and/or contract administration process. Such an outcome can have dire consequences to the procuring agency and/or commercial services provider.

Within this framework, the fundamental challenge that many governments face when working with real estate providers is to balance the important public policy goal of maintaining a fair and transparent contract administration/procurement process, while simultaneously realizing the substantial benefits, economies of scale, and cost savings offered by these providers. Given the many public and internal pressures exerted on government entities, this balance can at times be difficult to achieve. Firms that work with government recognize these pressures and some have dedicated considerable resources to build transparent and effective conflicts management systems. Just as important, companies have worked side-by-side with government contract officers and project teams to first improve their understanding of norms and practices in the commercial real estate industry, and then develop nimble processes for addressing conflicts.

Organizational Conflicts

Effectively addressing conflicts begins with understanding the nature of conflicts in the commercial real estate setting. Providers with a large geographic footprint will likely represent various clients in a variety of capacities – this can lead to conflicts that while not regulated under the law, might raise questions about potential organizational conflicts of interest. For example:

- Firms may represent clients as a broker in real estate transactions
- Real estate companies provide strategic planning services for government entities that result in transactions
- Management companies handle property at the physical site on behalf of clients (including the procurement of supplies and services needed to operate the property)
- Valuations firms appraise the value of real estate for clients
- Mortgage brokers arrange for financing of real estate for clients
- Real estate finance managers invest capital (their own and for clients), in real estate, directly or through loans or securities

- Debt servicing companies handle real estate mortgages, loans and securitized pools
- Commercial real estate companies publish research on real estate trends and information

Clients often ask commercial property firms to act in several of these capacities as part of an overall relationship, frequently across multiple geographies. Large companies act in these roles for hundreds of clients simultaneously. Large diversified firms now handle complex assignments around the world. Access to this level of expertise and sophistication creates significant value for clients. However, as a result this scale and diversity and the nature of the real estate services business itself, means that selected services inevitably face real, perceived and potential conflicts of interest.

Brokerage Conflicts

One level down from organizational conflicts is conflicts of interest that are either regulated by state-level brokerage laws, or generally recognized as conflicts in the context of a brokerage transaction. There are many different types of conflicts a real estate provider might encounter, but the most prevalent are:

- Dual Agency – when a broker represents clients on both sides of a transaction (State law defines and controls these conflicts);
- Personal ownership interest in the subject or competing property;
- Listing or marketing competing properties;
- Representing competing parties/tenants/buyers (including multiple offers);
- Interaction of more than one business unit in the same transaction, perhaps representing different parties (see above); and
- Soliciting or representing tenants where the broker presently has or perhaps has had a fiduciary relationship with the owner.

In addition to disclosing the conflicts noted above, a brokerage firm should require that the broker obtain a written waiver of conflict from the client (or both clients as the case may be), even when not explicitly required under state brokerage law. Obtaining a written waiver tends not to be difficult because commercial clients understand the practical reality that the real estate service provider would not last long in the business by profiting from one client at the expense of another. From a regulatory and legal standpoint, placing the interests of one client over those of another would violate the fiduciary duty legally imposed on brokers, and would lead to costly and high profile legal actions against the service provider.

The Fiduciary Duty

This cornerstone of brokerage law is sometimes misunderstood by procurement or contracting officers. The idea of a fiduciary duty within the real estate context can strike some as merely a statement of good intentions but lacking any substantive enforcement teeth. In reality, the fiduciary duty is well defined in the common law and is a potent deterrent to a broker placing one client's interests above another's. Being sued by a client for breach of fiduciary duty can cause monetary and reputational harm, and regulatory penalties including loss of license. As an agent, a broker has a fiduciary obligation to their principal; i.e., the client, as follows:

- Act with undivided loyalty to the client.
- Act in the client's best interest.
- Obey all lawful instructions of the client.
- Maintain and not disclose confidential information of the client.
- Disclose all material information to the client.
- Act with reasonable care and diligence in representing them.
- Do not profit from the agency relationship without proper disclosure and consent.
- Make every decision and take every action with the best interests of the client in mind.

The statements above summarize various court decisions that have defined the elements of a broker's fiduciary duty, based on the specific facts in question. The trend in the courts is to expand the definition of the duty rather than limit its scope.

Effective Government Conflicts Review Models

In general, government entities with the most knowledge about the practices and norms in the commercial real estate industry are also the most effective in dealing with questions that arise from outside of, and within, their organization. In other words, any model can be effective when staffed by individuals with subject matter expertise.

Common Characteristics

- Core group of subject matter experts. The most effective conflict review models typically consist of a core group of individuals who are vested with decision-making authority and are subject matter experts in both the commercial real estate sector, and in government procurement rules. This core group typically consists of two to three people – sometimes even one person. Along with the small size of the group, having subject matter expertise in both the agency's procurement rules and the commercial real estate sector is critical. There are examples where an agency has hired a commercial real estate professional to make decisions about conflicts – but the professional had no prior experience in government contracting or procurement. These experiments have generally failed. On the other hand, when individuals from within an agency or department are tasked with developing subject matter expertise related to the commercial sector, they tend to work more effectively for purposes of conflict review. The following discussion can add clarity to conflicts management.
- Direct connection between conflicts decision maker and project outcomes. Some agencies separate the conflicts decision-making authority from the individuals who work day-to-day on project Key Performance Indicators/outcomes. For example, there are agencies that require all potential conflicts to be reviewed and either waived or declined by their city or agency attorney. With a few notable exceptions, this model tends not to work. Vesting decision making authority with the very individuals who are also responsible for project outcomes creates a healthy tension between the important public policy goal of maintaining a fair and transparent contract administration/procurement process, while simultaneously realizing the substantial benefits, economies of scale, and cost savings offered by a service provider with a network of clients throughout the market.
- A conflicts review board or committee. Another common characteristic of an effective conflict review model is an oversight board that plays an active role in reviewing the decisions of the conflict decision maker. In this model, rather that actually making the decision, the board assumes an oversight role, probing and questioning the decision maker to ensure that a coherent, consistent and articulated rationale is applied to every decision. This model is especially effective when coupled with the two characteristics described above.
- Complexity of review determined by size of the transaction or nature of the asset. Some governments vest all decision-making authority in one person, while others grant authority up to a certain level – typically determined by the monetary value of the transaction in question. The rationale is simple, the more money involved, the more the government entity risks losing. The same rational is used when certain asset types form the basis of the subject transaction – for example, historic buildings, parks, school, etc. Generally transactions under a certain level of money will never receive board review regarding conflicts. But past a certain threshold, the board can assume an oversight role, and even in some cases a decision-making role. These rules however, should be clearly drafted and the rationale for different levels of review articulated with the expectation that the concerned public and/or internal auditors will review them. Once adopted, the rules should be followed without exception.
- The blanket waiver. To simplify the work of the conflicts decision maker, most agencies allow for blanket waivers. This means that when similar low risk conflicts continually arise, the decision maker has authority to grant a waiver – in advance – for all conflicts of that similar type. One example where such a waiver would be helpful on this account is for the market reports. From a practical standpoint there is simply no need for anyone to have to waive such potential conflict every time. A broker would still be required to disclose the conflict, but no action would be necessary on the part of the decision maker once the blanket waiver is granted and the terms of the waiver are specified.
- Written rationale and consistent application. The most effective conflicts review models include a written rationale describing the review process, and the factors to be examined when considering a conflict waiver. Just as important, once such processes and factors are adopted, they should be applied consistently and without fail. These types of systems are generally considered best in class because when audited, there is a coherent framework upon which to justify decisions.

Common Factors Weighed

All agencies are different and each has conditions applicable exclusively to them. Nonetheless, there are 6 common factors that most agencies weigh (along with any unique conditions) when considering a conflicts waiver. No one factor is necessarily controlling and the actual weighing is fact specific.

- Agencies give great weight to state brokerage laws and their definition and treatment of conflicts. Such laws are particularly compelling because they are generally drafted to benefit the client (in this case the State), not the real estate service provider.
- Does the commercial market provide insights? The more common the conflict with commercial clients, the more weight is given to resolving the conflict consistent with market norms. There is a general sense that the checks and balances arising in market transactions can inform the government's thinking about risk in this area.
- As already stated above, the size of the transaction is considered. This refers to the size in comparison to the overall market within which the transaction takes place, and as compared to the contract as a whole. The rule of thumb seems to be, the larger the relative size, the more the government is at risk.
- The nature of the services giving rise to the conflict. In other words, is there an appearance that the real estate provider is "double dipping" by paying other lines of business within the company to perform additional elements of the assignment or contract?
- Is the conflict "actual," "potential" or "perceived?" Although actual conflicts receive the most stringent review, they are typically defined consistent with state brokerage laws and are waived consistent with such laws to the extent applicable (but see the factors above). If state law provides no guidance, agencies examine the conflict mitigation protocols of the service provider and grant waiver (or not) based on their assessment of the effectiveness of such protocols. At times, additional protocols are required. Potential conflicts are generally given little scrutiny with the proviso that if they become an actual conflict, they will be reviewed anew. Perceived conflicts are generally reviewed as if they are actual conflicts – see the discussion about actual conflicts above.
- What is the presumption? As a matter of practice, agencies will begin with a presumption based on the type of conflict. The presumption is clearly stated, applied consistently, but shifts depending on the nature of the conflict. For dual agency, for example, there is often a presumption that the conflict will be waived and the burden is on the side arguing against waiver. On the other hand, when a brokerage employee holds an ownership interest on the other side of a transaction, for example, the presumption is typically against waiver and the burden is on the broker to demonstrate why waiver should be granted. Establishing and applying a consistent starting point for review or presumption will impact how the other factors are weighed and assessed.

APPENDIX – REFINE TOOLS, TECHNOLOGIES, AND PROCESS

CBRE

IMPLEMENTATION SPOTLIGHT

ADOPT A COMMON OPERATING EXPENSE REPORTING PRACTICE

The adoption of the Standard Chart of Accounts as an industry standard, gives property owners and real estate professionals a common point of reference to assess the financial performance of the real estate they manage.

- The South Carolina project started with devising two surveys at different levels:
  - Building Specific - To capture the operating expenses of the properties that were part of the representative sample of buildings selected by the state
  - Agency-Wide Survey - To capture all of the operating expenses for each of the agencies included in the scope of this project.
- It was evident from the data received and the required statistical normalization, that data is not tracked on a consistent basis according to industry norms.
- The State of South Carolina does not ascribe to the Standard Chart of Accounts and therefore the different agencies organize and report the operating expenses of the real estate they control in ways that are different from each other and from standard benchmarks that would be useful for performance tracking.
- Despite having a common financial reporting system (SCEIS), most agencies do not track their operating expenses using the same accounting codes and as per the comments received when completing the surveys, most agencies do not track costs at the building specific level, making it difficult to assess if the property should be a long-term investment or should be disposed as part of a continuous real estate improvement plan.
- Comments received from agencies indicate the need for improved data quality. Note that South Carolina is similar to many large organizations that have not focused on enhanced portfolio management:
  - "Some of the information requested in the surveys is not available to that level of detail in the South Carolina Enterprise Information System (SCEIS)".
  - "We had to research the information you requested and then break it down to meet the requirements of the survey"
  - "Prior to Fiscal Year 2014 the Department's cost structure did not include cost centers for individual buildings, therefore operating costs by building cannot be provided for Fiscal Years 2012 or 2013"
  - "The majority of our contracted service cost are not under contract and very little time has been spent on facilities management"
  - "The Agency does not capture costs at that detailed level for the individual building"
  - "We do not assign employees to a specific area or building, they are responsible for the facility…"
  - "This data wasn’t available for each location, but we did have it for the overall agency"
  - "The spreadsheet reports services as a whole. We do not maintain our financial information at the level necessary to accurately complete this spreadsheet"

OPERATING EXPENSES ANALYSIS

DESCRIPTION OF BENCHMARKING DATABASES

The CBRE Team used a series of databases to create a benchmarking analysis by comparing industry metrics gathered from public and proprietary facilities management operating expenses information. This section describes the sources of the data utilized.

Operations and Maintenance Benchmarks Used

- The International Facilities Management Association (IFMA) is self-described as "the world's largest and most widely recognized international association for professional facility managers". The information contained in this report is voluntarily supplied by the members of the organization and can be acquired from IFMA.

APPENDIX – UPGRADE TOOLS, TECHNOLOGIES AND PROCESSES

- CBRE Proprietary Database - U.S. State (East). CBRE ascribes to the Facility Management industry standard of assessing operating expenses in six major accounts: Administrative Expenses, Cleaning Expenses, Repair & Maintenance Expenses, Utilities, Security Expenses and Roads & Grounds Expenses. In some cases and based on the client request, we separate the wages and benefits portion of Repairs and Maintenance category with the objective of assessing the efficiencies of staffing and best practice staffing gearing ratios for organizations with significant maintenance activity.
- CBRE Property Management Database – U.S. In 2011 CBRE used information from its vast operating expenses database to agglomerate data from different cities within the most populated zones of the US, from coast to coast and then clustered those data points regionally and by cities, each one of the city clusters composed of at least 100 properties classified under the categories "building class A" and "building other class". Using the operating expenses from that database and isolating the data for the Mid-Atlantic region, we have created the third benchmarking point.
- CBRE Property Management Database - State of South Carolina 2014. With the intention of supporting the objectives of this study, CBRE collected information from a set of buildings across the state with predominance from properties located in the cities of Columbia and Greenville. With this information we have created the fourth benchmarking point for this analysis to be used as a point of reference only for the year 2014. This database contains information from 22 buildings and is classified in one single general category of operating expenses with no further distribution. CBRE considered this data a representative sample of the current industry operating costs within the state.
- Adjustment by Inflation rates – PPI. As 3 of the 4 benchmarking databases contain historical information and with the objective of normalizing the points of comparison, CBRE adjusted all the values to the compounded inflationary effect of the PPI prices for the years 2012, 2013 and 2014.

ANALYSIS OF THE DATA GATHERED FROM THE BUILDING SAMPLE

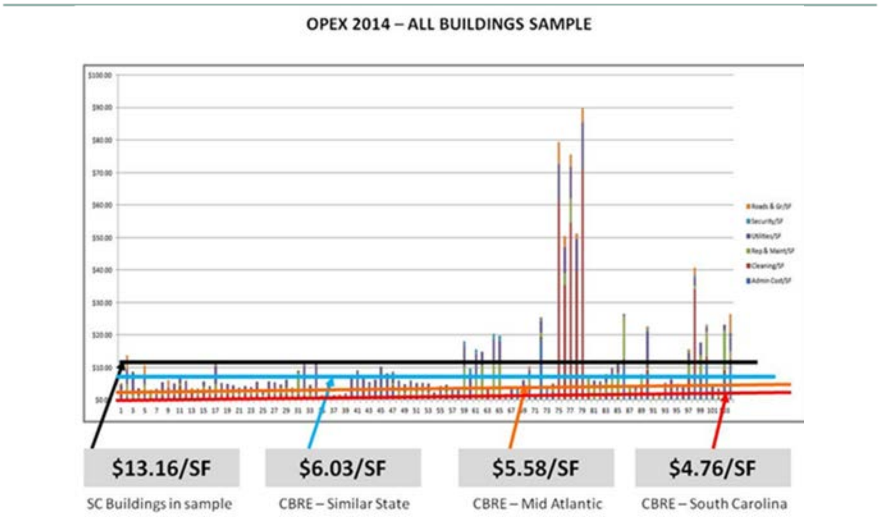
Benchmarking Analysis Results by year

All Buildings Analysis & Benchmarking Results for 2014

CBRE believes that the 2014 data collected for 118 buildings (“all buildings”) and 4,956,553 SF provides the best benchmark for expense comparison as the data is more reliable and consistent. The normalized state building sample shows a mean value of $13.16/SF. This level of expenses compares with the three sample databases including a similar state, CBRE Mid-Atlantic portfolio and a CBRE portfolio of South Carolina properties. The range of comparable expenses was from $4.76 - $6.03/ SF.

It should also be noted that the Department of Administration portfolio (formerly Budget & Control Board) had an expense average of $7.66 in 2014. This illustrates the benefit of more centralized management of the portfolio.

OPERATING EXPENSES 2014 – ALL BUILDINGS SAMPLE



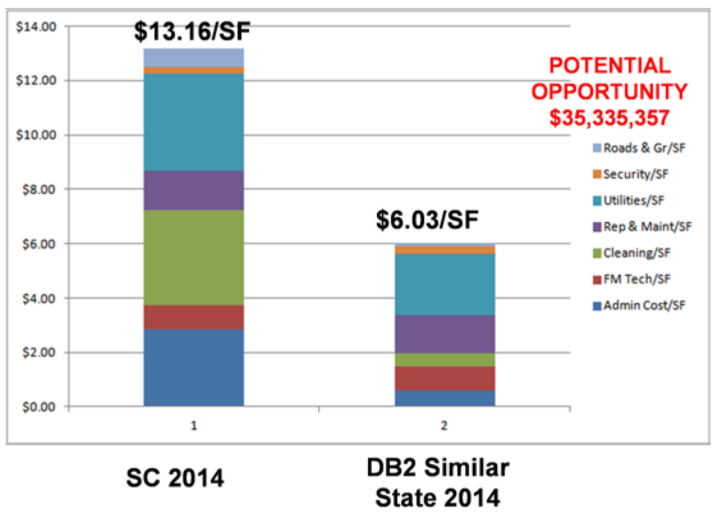
STATE EXPENSE PER SF BY CATEGORY

Admin Cost/SF	$2.84
Cleaning/SF	$3.50
Rep & Maint/SF	$2.32
Utilities/SF	$3.61
Security/SF	$0.24
Roads & Gr/SF	$0.66
Total OPEX / SF	**$13.16**

All Buildings Analysis & Benchmarking Results for 2014 Comparison With Similar State

CBRE believes that the similar state data (DB2) of $6.03/ SF provides the best basis for comparison of expenses. Using similar state as a basis for comparison, the CBRE Team estimates that there is a potential of $35.3 million in savings available across the state portfolio. This estimate should be viewed as a planning number. Some of the available state data was comingled, assigned to other cost centers and derived from estimates. CBRE recommends that the State set up a Standard Chart of Accounts (SCA) to enable better tracking of expense data and become aligned with industry standards and benchmarking.

SOUTH CAROLINA EXPENSE COMPARISON WITH SIMILAR STATE



STATE EXPENSE COMPARISON PER SQUARE FOOT BY CATEGORY WITH SIMILAR STATE

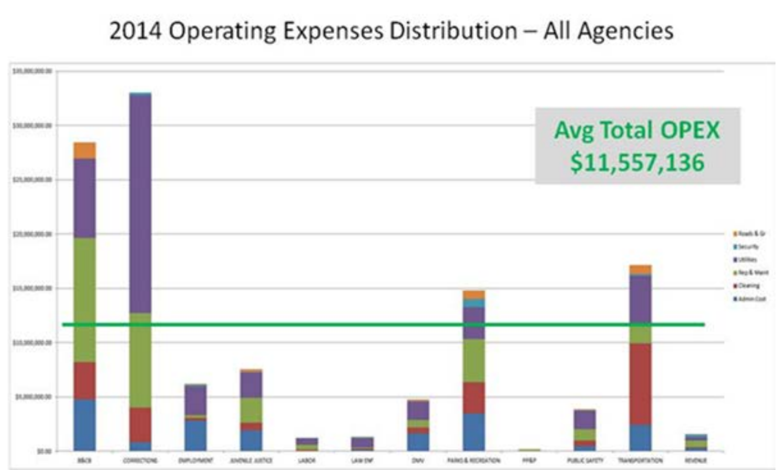
	SC	DB2
Admin Cost/SF	$2.84	$0.62
FM Tech/SF	$0.89	$0.88
Cleaning/SF	$3.50	$0.45
Rep & Maint/SF	$1.43	$1.43
Utilities/SF	$3.61	$2.25
Security/SF	$0.24	$0.29
Roads & Gr/SF	$0.66	$0.11
Total OPEX / SF	$13.16	$6.03

All Buildings Analysis & Benchmarking Results for 2014 Comparison With Similar State

The following graph illustrates operating expenses by agency, while the following chart contains the total annual expense by agency. Expenses grew by 5% in 2014.

Note: At the time of the analysis, the buildings in selected samples were under Budget and Control Board control. The Department of Administration now controls all B&CB properties.

2014 OPERATING EXPENSE DISTRIBUTION BY AGENCY



2014 TOTAL EXPENSE BY AGENCY

2014	TOTAL OPEX
B&CB	$28,575,617
CORRECTIONS	$35,827,916
EMPLOYMENT	$7,274,945
JUVENILE JUSTICE	$8,694,134
LABOR	$1,252,531
LAW ENF	$1,881,756
DMV	$5,057,928
PARKS & RECREATION	$15,561,851
PP&P	$749,635
PUBLIC SAFETY	$4,350,609
TRANSPORTATION	$17,901,571
REVENUE	$1,318,689

APPENDIX – UPGRADE TOOLS, TECHNOLOGIES AND PROCESSES

FACILITIES MANAGEMENT SUMMARY		
CURRENT STATUS/OBSERVATIONS	**RECOMMENDATIONS**	**BENEFITS**
• Decentralized facilities management structure results in inconsistent tools and standards applied across the different portfolios	• All FM functions should be centralized to better coordinate budgets, policies, procedures and manpower	• More efficient staffing levels • Better maintenance tracking • Improved expense management
• There is no statewide facilities management strategy that covers all owned property	• Develop a holistic Long Term Real Estate Facilities Management Strategy	• Directs long-term efforts of real estate professionals • Provides road map for active engagement with elected officials
• State currently tracks selected performance metrics – Systems and accounting data need to be upgraded so more could be tracked	• Identify the appropriate KPI's that should be implemented as part of a modern facility maintenance practice	• Improved operating performance across the portfolio
• While purchasing of goods and services is centralized it is not all tracked thru Procurement • Contracting is not all coordinated thru a central source	• Centralize purchasing for both goods and services thru an upgraded SCEIS portal to track spending • Look to coordinate larger services contracts thru fewer vendors	• Larger work orders drive cost savings • Better vendor coordination and improved service levels
• There is no repository for standard equipment inventory and related information	• An Asset Numbering Standard should be established to identify all critical and non-critical assets	• Better tracking for maintenance • Assists with tracking for budgets, warranties and staffing
• Lack of centralized inventory management for furniture, machine parts and supplies	• Inventory should be tracked and securely stored	• More efficient control of purchasing • Reduced loss and damage • Reduced floor space dedicated to materials that will never be used
• Routine building and systems repairs have become a backlog of deferred maintenance repair items	• Incorporate the Facilities Condition Index into overall repair and maintenance planning to limit unnecessary capital spending on assets rated Critical and Poor	• Scheduled servicing increases the life of building components and avoids unexpected capital spend • Enables capital redirect to assets rated Fair and Good
• Facilities Condition Assessments (FCA) do not help drive disposition decisions	• FCA reviews can reinforce disposal decisions by forcing the evaluation of Mission Criticality for buildings with a Critical or Poor rating	• Reducing the overall size of the portfolio thru dispositions should free up additional unallocated dollars to repair existing facilities
• State currently tracks selected work orders using Tririga, Facility Dude and Excel, but many requests are still issued using systems using paper work orders	• Knowledge based technology systems (CMMS) for tracking capital expenses and work orders are required to • CMMS is planned as part of the Phase II Tririga upgrade – This needs to be funded	• Improved capital and operating expense tracking • Faster response time for handling building maintenance problems increased staff efficiencies

IMPLEMENTATION SPOTLIGHT

Realignment of Facilities Management Organization

As a primary component of the State real estate organization, it is recommended that the facilities management functions be re-organized and consolidated through a process that eliminates redundancies and centralizes oversight while establishing mechanisms to foster institutional experience sharing and collective learning. Key components of this process include identifying the skill sets and personnel required as the organization transforms to a more service and process oriented organization.

- Develop critical success factors and skills required to for each position
- Identify experience and compensation levels required to staff senior tech levels and fund positions
- Build a staffing plan around the revised building portfolio taking into consideration the age, condition and types of equipment at each location
- Align the skill sets of each employee with the requirements of every position
- Provide ongoing training to enhance the “fit” of employees for positions that require a higher level of skills
- Create an internal “Experts Network” of employees that would become shared resources across all properties and whose primary objective would be adding value by promoting a consistent and uniform approach to the delivery of such services, and by sharing the organizational knowledge best practices and overall service experience among the buildings and across the department.

Standardization of Operational Processes for All Facilities

There is an absence of common processes that should be used to assign, perform, track and expense routine services and maintenance in buildings. Processes provide a structured approach to planning and managing diverse organizational policies. They add uniformity and consistency around the methods employed today to deliver the same type of service across the different departments. Processes are also fundamental for the adequate management of technology tools and the creation of leveraged management practices. Better integrated platforms allow organizations to improve the way they deliver services.

Setting up a Common Maintenance Management Practice

While visiting different facilities, CBRE noted that each Agency manages the operations, repair and maintenance using different standards. These were the top 5 comments from the Facilities Condition Assessment team:

- Several different facilities systems are used to track information. “Facility Dude” is used by some agencies to track facilities and energy consumption. "Tririga" is a second system used particularly by the Department of Administration Facilities Management.
  - All major facilities tracking should be centralized and linked to one common system.
  - Neither one of the two facilities tracking systems is used at their maximum potential or with their complete suite of modules, which would allow for centralized optimization of maintenance tracking and reporting. As an example, software suites and devices that allow tasks in the field to be assigned and completed with the ability to assign costs electronically would enhance productivity and are desired by the facilities management department.
- While the Energy office tracks selected bills via spreadsheets and energy costs are recovered in Tririga, CBRE did not observe a centrally coordinated effort to improve tracking using a centralized database as part of a holistic energy reduction initiative.
- There seems to be very little effort focused on performing preventative maintenance work as most of the facilities team are on a “reactive mode" most of the time. The maintenance staff is eager to leverage technology tools but they have not received the financial means to modernize their work processes.
- Overall funding for facilities (sustainment and recapitalization) is a challenge for most, if not all agencies.
  - The Facilities Management teams lack adequate funding for facility needs.
  - Some Agencies stated they do not receive specific funding for facilities and are forced to use other funding mechanisms (program funds).
- Professional development that promotes skills development, licensing requirements and specialized training to perform jobs should be promoted, encouraged and routinely funded.

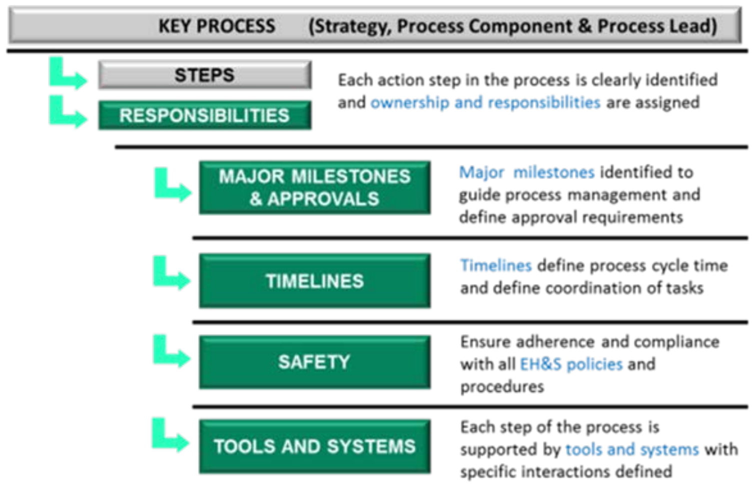
APPENDIX – UPGRADE TOOLS, TECHNOLOGIES AND PROCESSES

All of these are observations that suggest misalignment in the Facilities Management practice across the state with stated goals. The professionals doing the day-to-day work are highly competent professionals striving to do the best they can with the resources they are provided. A centralized effort to support Facilities Management statewide does not currently exist.

A fundamental characteristic of a process definition plan is assessing what the components of an effective process should be. A direct approach to process definition is illustrated below.

Many Operations and Maintenance groups get mired in the actual execution of their operations neglecting to evaluate their processes to improve systems and enhance customer services. Facilities management processes or "workflows" should be well-established practices within the organization, and at the center of every action to render customer services.

KEY OPERATIONAL PROCESS STEPS DEFINED



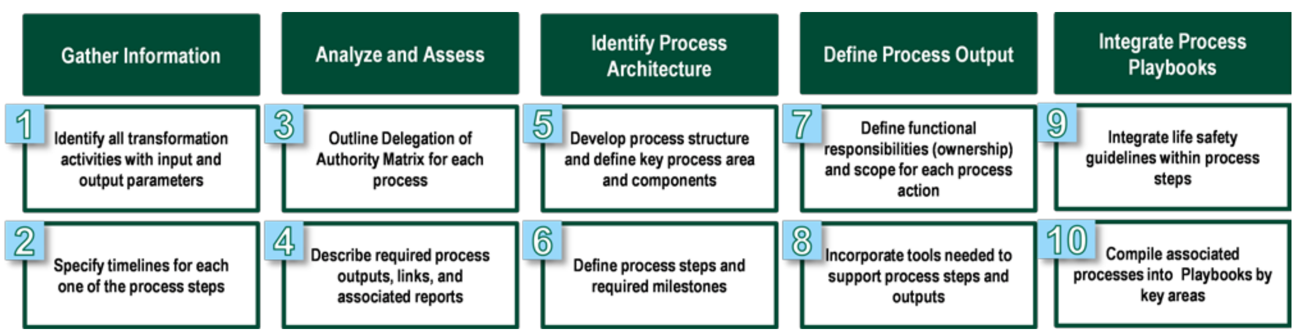
Process Strategy Components

Nine major categories, within a facilities management environment are listed below:

- Facilities Strategy
- Talent Development
- Engineering, Operations and Maintenance
- Energy and Sustainability
- Financial Optimization
- Life Safety and Occupational Health
- Strategic Sourcing
- Resilience Planning
- Customer Support Services

The following diagram outlines the required steps in a process improvement implementation plan:

PROCESS IMPROVEMENT IMPLEMENTATION PLAN



APPENDIX – UPGRADE TOOLS, TECHNOLOGIES AND PROCESSES

Facilities Management On-Site Initiatives

- Upgrade the current preventive maintenance program to include a plan, budget and schedule for the repair and maintenance of buildings and equipment throughout the portfolio
  - Currently there is limited centralized tracking of routine repairs and maintenance of façades, interiors and equipment
  - Establish Preventive Maintenance Standards (alignment should be across all State agencies, if maintenance responsibilities are not aligned under a single organization)
  - Inadequate funding is an issue to the ramp-up of an established program
  - Timing: Short to Medium term
  - Cost: Medium – Staff resources to track items – Coordinate with existing contracts
- Establish a program to identify all equipment
  - Establish an Asset Numbering Standard and record in SCEIS
  - Identify Critical and Non-critical Assets
  - Timing: Short term to medium term – May require accounting classifications to be set-up
  - Cost: Medium – Staff resources to identify and track items – work with vendors to ID equipment
- Implement an electronic Work Management (Job Request) Practice
  - An upgrade is planned as part of the Phase II Tririga upgrade for General Services whereby agencies will be able to enter job requests electronically and FM staff will receive and process the work orders using handheld devices integrated back into the system.
  - Develop Work Process Controls that are standardized across all agencies
  - Develop Work Process Forms
  - Provide quick reference guides or online training for all employees that can request a “Job Request.”
  - Timing: Short term – Maintenance and accounting classifications may need to be set-up
  - Cost: Medium – Staff resources to identify and track items, staff training and possibly software upgrades

FACILITIES MANAGEMENT BEST PRACTICES

PRIMARY INITIATIVES

Facilities Management Organization

- Reorganize and centralize Facility Management function to reflect industry best-practices standards
  - Initiate a top to bottom review of the Facilities Management staffing, functions, information monitoring, budgets and systems to identify key areas for enhanced service delivery and cost controls
  - Implement best practices solutions for databases, staff development, processes, procurement and vendor contracts
  - Centralize functions spread across many agencies that self-perform facilities management
  - Evaluate best interface between Tririga, SCIES and proposed CMMS upgrade. This needs to be funded.
  - Establish key performance metrics to measure success
  - Timing: 6 - 12 months
  - Cost: Medium – There may be systems integration and department consolidation costs
- Create an action plan to address changes in staffing management required to transform the oversight and management of facilities management operations
  - Initiate a top to bottom review of staffing to address the following:
    - Managing workflow with continuing cuts in resources
    - Aligning skills with assigned tasks
    - Preparing gap analysis to identify skills that may need to be provided through outsourcing
    - Break-out of labor costs allocated to specific facilities
    - Knowledge gap created by retirements
  - Timing: Medium term
  - Cost: Low – Staff resources and time to address staffing model
- Enhance centralized real estate purchasing for all building related materials, supplies and services through a procurement Portal linked to the SCEIS, to increase leverage with suppliers, control costs and manage inventory
  - Current practices allow for the purchase of supplies and contracted services through multiple departments and with many vendors and without a full tracking through Procurement
  - Coordinate larger service contracts through fewer vendors such as statewide janitorial services
  - Timing: Near term
  - Cost: Low – Staff resources address purchasing

Facilities Management Process

- Develop a holistic Long Term Real Estate Facilities Management Strategy
  - Develop a holistic Long Term Real Estate Facilities Management Strategy to guide and direct the efforts of the facilities management professionals around a common mission, a wide strategic view and shared objectives.
  - Strategy should include active engagement with elected officials that provides agency administrators with a comprehensive road map to manage with a long term perspective for assets that have been entrusted to them by their constituencies.
  - Timing: Medium term
  - Cost: Medium – Staff and 3rd party resources to identify and document strategic plan
- Periodically review portfolio performance with appropriate metrics

  - A review of tasks and outcomes should be undertaken to identify the appropriate KPI's that should be implemented as part of a modern facility maintenance practice. The cost of providing a service is fully assessed only when a dimension of effectiveness is added to the analysis.
  - Identify meaningful Key Performance Indicators (KPI's) that measures results and could lead to improved outcomes is not performed
  - Timing: Short term – KPIs need to be identified
  - Cost: Medium – Staff will need to be trained, categories established and tools acquired
- Create an online inventory of machine parts and supplies to reduce overspending and monitor intake/outflow
  - Inventories should be tracked and securely stored to control purchasing, prevent loss from theft or damage in non-secure storage
  - Timing: Near term
  - Cost: Low – Medium - Staff resources and tracking systems to address inventory identification
- Rationalize inventories of excess furniture, equipment and supplies to eliminate items that will never be used and to free up area used as storage for department use and clear hallways for egress
  - Immediately dispose of excess furniture to free up vacant space for other office operations and clear out storage and work areas to improve safety and working conditions
  - Timing: Short term
  - Cost: Low – Staff resources to sort and move furniture and move costs for removal

IMPLEMENTATION OF AN OPERATIONS AND MAINTENANCE TECHNOLOGY TOOL

The state requires well maintained facilities and equipment that is readily available to render services to constituents. These facilities cannot be provided without the needed tools required for of a successful Facilities Management Strategy.

A statewide Computerized Maintenance Management System (CMMS) can enhance asset management by supporting the planning, executing and controlling of all maintenance activities and infrastructure projects. The CMMS can also help to provide standardized procedures for reporting, document management and data analysis.

KEY FACTORS FOR SELECTING COMPUTERIZED MAINTENANCE MANAGEMENT SYSTEMS	
• Data Acquisition	• Time
• Software Cost	• User Training
• Hardware Cost	• Support and Maintenance
• Software Functionality	• Data Architecture
• Scalability & Customization	• Report/ Dashboard Support
• Implementation	• Wireless and Paperless

It is recommended that a facilities management program allows for the following:

- Scalable multi-site connectivity;
- Flexible access architecture;
- Intuitive work order management for both customers (requesters) and technicians performing the tasks;
- Enterprise asset tracking;
- Inventory management;
- Flexible reporting and dashboard indicators; and
- Remote access availability through mobile devices (PDAs, Tablets, Cellular phones, etc.).

Using a technology tool as a fully integrated Enterprise Asset Management System (EAM) will assist in extending the useful life of assets by up-keeping equipment health and reducing overall maintenance and repair costs in a reduced period of time. Among other features, an adequate technology tool should:

- Extend the useful life cycle of the assets - Adjusting maintenance frequencies and allowing equipment to run in steady mode under a Condition Based Maintenance program helps extend the life of equipment.
- Track total cost of ownership - This cost optimization component can control budgets for services and materials, manage up-to-the-minute inventory and capital outlays.
- Maximize uptime - By monitoring specific operating parameters and all maintenance activities on equipment, the users are able to reduce the occurrence of breakdowns and to forecast the possibility of malfunctions.
- Enhance efficiencies - With an adequate planning tool, maintenance can be consolidated under short spans of time to allow for sharing of specialized tools and resources and minimal down time.
- Optimize complex systems - It is essential to deploy a tool that helps monitor operating parameters to assess overall efficiency of the operations, track parameter trends and generally optimize the asset performance.
- Effectively comply with regulatory requirements - CMMS are also a quality assurance tool that can help meet diverse industry standards, ISO parameters or regulatory requirements (i.e. emissions) for different facilities.

KEY COMPONENTS OF A CMMS

For a technology application to be an effective web-based Computerized Maintenance Management System (CMMS), the tool has to incorporate the ability to administer services through an online call center, perform timely work order management and assist with preventive and predictive maintenance functionalities (which would be the most used features of the system in a normal Facilities Management environment).

It is also essential that the system have global connectivity capabilities across the enterprise (both from the technology and human perspectives) and that it can support efforts to adequately and effectively allocate resources (staff, inventory, equipment and capital investments), where they are best deployed within the facilities. An implementation schedule is required and a typical duration from data acquisition to "Go-Live" day and user training should be approximately six months.

FACILITIES CMMS PROFILE

The required components of an Enterprise Asset Management should resemble the graphic to the right.

CBRE recommends that the selection be based mainly on three major functionalities:

- Client Service Request Module - User interface
- Preventative Maintenance Module - Most used feature
- Reporting Capabilities

The remainder of this section further explores each one of these three key features.

Client Service Request Module

The Client Service Request module must be a web-based service management solution specifically designed for commercial real estate. Detailed and optimized service request life cycle tracking creates an environment where service accountability is welcomed.

- The State is exploring a TRIRIGA upgrade for General Services whereby agencies will be able to enter job requests electronically and FM staff will receive and process the work orders using handheld devices integrated back into the system. Funding is required to assess the best interface between TRIRIGA, the SCEIS system and other facilities software currently in use with, a proposed Computerized Maintenance Management System (CMMS).

The application should contain real-time functionality that interacts with most any handheld wireless messaging device to speed service delivery. Specialized request management tools keep coordinators constantly in touch with service levels, ensuring consistent attention to service. Customized, easy-to-use Client Services Interface can reduce clients' phone talk time by up to 80%. Key features should include:

- "At a glance" view of real-time service level conditions and special attention requests
- Permanent detailed request and work order life cycle tracking
- Certificate of Insurance check when issuing work orders to vendors
- Automated work order routing and escalation
- Pre-determined decision points including the correct assignment and urgency for each service type helps move the order to dispatch quickly and correctly. This function allows standard consistent service levels across a portfolio while managing exceptions and unique sites with speed and accuracy.

- Quick search for requests or work orders
- Wireless and paperless dispatch through to closure with a broad range of wireless messaging devices including cell phones, two-way pagers, PDAs, from all types of other carriers (allows for paper if required)
- Integrates with commercial real estate A/R systems
- Task layering and multi-tasking for compound work schedules
- Certificate of Insurance check when issuing work order to vendors
- Configurable call attention and unfinished work order alerts to supervisors

Preventative Maintenance Module

An important aspect of any CMMS for Facilities Management is anticipating client needs and preventing problems. With a qualified system, a CSR can generate corrective or service orders and automatically dispatch both corrective and auto-generated preventive work orders, track breakdowns, monitor asset history, measure productivity, and generate reports – simply and quickly. Better preventive maintenance practices minimize equipment downtime while reducing risks, costs and tenant inconvenience.

Work forecasting predicts upcoming preventive maintenance loads and predicted service request levels, enabling effective resource planning. Easy to use work order lists instantly show you how your team is doing.

Key features should include:

- Detailed asset maintenance tracking, including breakdowns
- Automated and unattended work order generation, dispatch and retrieval
- Paperless and wireless work order dispatch and closure to PDAs, from all carriers (allows for paper if required)
- Instant views on real-time PM work order status
- Flexible scheduling options generate work orders when and as required
- Check points and reading lines for detailed PM procedures
- Work forecasting and planning with predicted service request load, for any specified time period

Reporting Capabilities

It is expected that Clients can customize most reporting features within the CMMS, but the most commonly used reports that would be expected from the CMMS are:

- Event Costs
- Monthly Uptime
- Monthly Financial Summary
- Monthly Work Order Summary

Technology to Streamline Organizational Structures

The implementation of enterprise technology tools as a fundamental component of a Total Asset Management Strategy will cause the secondary effect of allowing organizations to optimize further the number of staffing needed to take care, custody and control of the facilities involved in the program. Based on experiential knowledge and field data collected from our Clients, CBRE has determined that there is a direct connection between the stages of technology implementation and the staffing gearing ratios needed within those organizations.

Technology staffing has been enhanced by technology tools:

- Fifteen years ago a normal Facilities Management organization required one FM Technician for every 50,000 RSF of real estate with infrastructure.
- Ten years ago with the proliferation of mobile PDA's it was possible to nearly double the range of each staff member to cover 100,000 RSF of real estate with infrastructure.

APPENDIX – REFINE TOOLS, TECHNOLOGIES AND PROCESSES

- Today, the gearing ratios for operations/repair & maintenance professionals are completely linked to the level of technology adaptation that the organization has embraced, degree of 3rd party help and the amount of infrastructure under management.

The following two graphics illustrate the relationship between the primary parameters.

Currently, operation and maintenance services are decentralized and redundant across the various agencies/departments. This approach dilutes the organizational knowledge and prevents the efficient dissemination of best practices due to the silo effect that each department creates.

Under the CBRE recommended organization, the structure changes to one integrated network while each one of the agencies retains day-to-day delivery of the services in the field. A second network is created to support the rendering of those services:

- The first network integrates the internal facilities organizations within the State.
- The second network would concentrate the delivery of specialized services that can be performed more cost effectively with leveraged resources, or because their knowledge base makes them best-in-class experts in a specific area of expertise.
  - This last network would include under the first category of services that have been partially outsourced today such as building services. Services that would require partners selected because of their wider knowledge base and their known capabilities, are those concentrated around real state strategy and enterprise-wide innovation.
  - Examples of these practices are: Strategic Sourcing, Facilities Management Strategy, Sustainability and Carbon Footprint Reduction Services, Energy Management Services, in-the-field Project Management, etc. The experience of the selected partners and their capabilities would determine the magnitude of the scope to be contracted.

ENTERPRISE TECHNOLOGY TOOL PRODUCTIVITY ENHANCEMENT FOR TECHNICAL AND CRAFT STAFF

PRODUCTIVITY IMPROVEMENT →

Current	Phase I	Phase II
Technician 1:130,000 SF	Technician 1:165,000 SF	Technician 1:200,000 SF
• Technician prioritizes • Technician fills out paperwork • Technician procures parts	• Handheld WO devices • Automated prioritization • Automated paperwork • Technician procures parts	• P2P System • Automated prioritization • Automated paperwork • Automated parts procurement

ENTERPRISE TECHNOLOGY TOOL PRODUCTIVITY ENHANCEMENT FOR MANAGEMENT STAFF

PRODUCTIVITY IMPROVEMENT →

Current	Phase I	Phase II
Manager 1:150,000 SF	Manager 1:250,000 SF	Manager 1:750,000 SF
• Selects supplies • Manages subcontract • Approves activities	• Client specific technology • Management by control • Automated prioritization • Automated paperwork • Centralized sourcing • Service levels linked to scope	• Global technology and knowledge pushed on-demand by exception • Management by exception • Automate work flow • Service levels linked to business outcomes • Group sourcing across clients

Benefits

By changing policies and procedures to reflect private sector standards and using a “best practice” technology platform, the State could significantly reduce operating costs and streamline operations with no diminishment of service levels.

GLOSSARY OF TERMS

GLOSSARY OF TERMS

The following terms are used in the report. The following definitions are provided for clarity of recommendations and ideas contained in this document.

- Capital Redeployment – Reallocating money used for operating and capital expenses on underutilized and non-Mission Critical assets that can be sold, to long term hold properties
- CBRE – CBRE, the prime contractor for this report, is a Fortune 500 company headquartered in Los Angeles and is the world's largest commercial real estate services firm (in terms of revenue). The Company has approximately 34,000 employees and serves real estate owners, investors and occupiers through more than 300 offices worldwide.
- CMMS System – A Computerized Maintenance Management System (CMMS) enhances the reliability of the assets by assisting the planning, executing and controlling of all maintenance activities, infrastructure projects and cost optimization opportunities related to them and provides information and input capabilities to field technicians using hand-held devices.
- Collocation – The act of bringing together staff and agency functions into a common facility or space to enhance collaboration and reduce occupancy cost.
- Consolidated or centralized real estate department – As used in this report, the consolidation of all real estate functions including facilities, architectural and engineering, real estate accounting, acquisitions, dispositions, assessment and leasing, under one department
- Cost Avoidance – Avoiding the expenditure of budgeted real estate expenses for properties that are vacated and sold. This releases dollars that can be spent on other properties and projects. This category also includes increasing the utilization of existing properties to limit the increase of occupied space and avoid additional occupancy cost.
- Landlord – Where the phrase "centralize all real estate functions under one State "Landlord" is used, we are referring to the aggregation of all activities related to the occupancy of State owned properties under one department that acts as the responsible party for all real estate.
- Key Performance Indicators (KPIs) – Metrics used to benchmark operating performance of buildings, staff, processes and agencies over time.
- Mission Critical – Refers to buildings that are essential to the delivery of State services that should receive priority for capital funding due to their primary role in State government.
- Out-sourcing vs. Out-tasking – Out-tasking is engaging the services of a 3rd party service provider on an "as needed" basis for specific tasks. Outsourcing is a partnering relationship with a 3rd party firm to provide frequent and ongoing management and execution of services. This could be in an advisory role or providing hands-on services such as repairs and maintenance.
- Playbooks – Playbooks map core business processes for routine projects and procedures. They can be created for most procedures with multiple tasks. Playbooks define roles and responsibilities, process and deliverables. Timing can be built into a Playbook process.
- Property Portfolio – The entire portfolio of State properties.
- Real Estate Management – In the context of this report, "real estate management" refers to the holistic management of State property including facilities operations, architectural/engineering, accounting, acquisitions, dispositions, assessment, and sustainability and leasing functions.
- SCEIS – South Carolina Enterprise Information Systems using SAP software
- TRIRIGA – An IBM real estate management software system used by the State that manages operational, financial and environmental performance of facilities.

COMPREHENSIVE REAL PROPERTY EVALUATION, STRATEGIC PLANNING AND IMPLEMENTATION REPORT

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COMPREHENSIVE REAL PROPERTY EVALUATION, STRATEGIC PLANNING AND IMPLEMENTATION REPORT