



Planning for Downtown Building Space Needs

AN OPPORTUNITY TO REDUCE LONG-TERM COSTS

Long-Term Space Needs

Current downtown City-owned buildings do not accommodate all existing Bureaus' space needs (the City leases space in privately-owned buildings to accommodate those needs)

Bureaus are projecting continued growth in employees that will need office space in downtown Portland

The current Portland Building Reconstruction Project only covers the needs for the existing employees in the building

Options for addressing long-term space needs:

- Lease more privately owned space in downtown Portland to accommodate growth needs
- Construct new space in downtown Portland to accommodate growth needs
- Better utilize the Portland Building to accommodate growth needs

Alternatives for Meeting City Space Needs

Option A: Lease additional space needed for growth and continue existing leases

- \$10 million for furniture and tenant improvements
- New lease space costs \$1.53 million/year
- Maintain existing leases at \$1.2 million/year

Option B: Construct new space to meet growth and continue existing leases

- \$25.3 million to construct and furnish new space
- Operations and maintenance costs of \$884,000/ year
- Maintain existing leases at \$1.2 million/year

Option C: Optimize utilization of the Portland Building

- Invest \$18.8 million to purchase new furnishings and complete additional tenant improvements
- Reduce external lease costs by \$1.2 million/year by bringing bureaus into Portland Building

Economic Analysis of Alternatives

Analysis forecasted costs and savings over a 20-year period for each option

Present value of net costs/savings were calculated for each alternative

Option C, Optimize Portland Building Utilization, is the least cost option:

- When compared to Option A—Lease Space Alternative:
 - Present value savings totaled \$32 million
- When compared to Option B—Construct New Space Alternative:
 - Present value savings totaled \$29.7 million

Annual Cost Impact of Alternatives

| Fund | Lease Option A | Build Option B | Optimize Option C | (Savings)/Costs of Option C Compared to A | (Savings)/Costs of Option C Compared to B |
|--------------------|---------------------|---------------------|---------------------|---|---|
| General Fund | \$8,985,568 | \$8,905,556 | \$8,620,259 | (\$365,308) | (\$285,296) |
| Transportation | \$3,278,846 | \$3,249,650 | \$3,046,174 | (\$232,672) | (\$203,476) |
| Development Srvs | \$3,712,671 | \$3,679,611 | \$3,909,024 | \$196,353 | \$229,412 |
| Environmental Srvs | \$4,302,287 | \$4,292,632 | \$4,850,603 | \$548,316 | \$557,971 |
| Water | \$4,404,944 | \$4,403,087 | \$3,908,249 | (\$496,695) | (\$494,838) |
| Other Funds | \$3,671,787 | \$3,639,050 | \$2,689,232 | (\$982,555) | (\$949,818) |
| Total | \$28,356,102 | \$28,169,586 | \$27,023,541 | (\$1,332,562) | (\$1,146,045) |

Space Optimization – An Opportunity to Reduce Long-Term Costs

Building space optimization will:

- Provide downtown office space needed for forecasted five-year growth of 220 City employees
- Reduce costs of external leases by bringing 192 existing employees into Portland Building
- Make most efficient use of space in the reconstructed Portland Building
- Avoid costs of locating growth employees in leased space or newly constructed space
- Avoid fluctuations in market rates for future leased space
- Additional savings in reduction of move costs over time, flexibility between bureau spaces, and ability to improve access to daylight and ergonomics for all employees

Recommendations

OMF recommends Council direct OMF to come back to Council with a Resolution to:

- Direct OMF to implement the building space optimization proposal
- Direct OMF to work with CBO to amend the financial forecast for a debt financing with debt service beginning in FY 2020-21
- Put in motion obtaining contracts and contract amendments to implement the proposal