

# Federal Real Property Portfolio Optimization *Lowering Costs and Improving Performance* Studley

by Jim Reidy

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Main Point:



# Order of Presentation

Facilities Management & ISO  
Portfolio Optimization/Workplace Strategy  
Staff-Space Alignment  
Compelling Events  
Combined Arms Approach  
Business Case Assessment  
Real Estate Assessment  
Workforce Composition/Change Management  
Myth Busting



# Facilities Management & ISO

ISO needs to ensure that ISO/TC 267 addresses the full scope of Facilities Management (FM), from the Strategic to the Tactical:

Facilities Management IS:

- Strategic Planning: Portfolio Optimization
- Operations Support
- Management

Facilities Management IS NOT:

- Just Operations & Maintenance
- Just Custodial and Janitorial Services

ISO needs to incorporate leading practices that redirect the FM industry from a reactive posture to being proactive and strategic.

**Main Point: The place to start is with an emphasis on Portfolio Optimization through the development of an organization-specific Workplace Strategy**



# Portfolio Optimization

Optimization of the Facilities Portfolio starts with a Workplace Strategy that ensures:

***“. . . the Dynamic Alignment of an organization's work patterns with the work environment to enable peak performance and reduce costs.” (1)***

Main Point: Facilities Management needs to focus on providing, maintaining, and managing a lean, efficient, and cost effective portfolio that aligns and adapts with the workforce and its mission



# Workplace Strategy

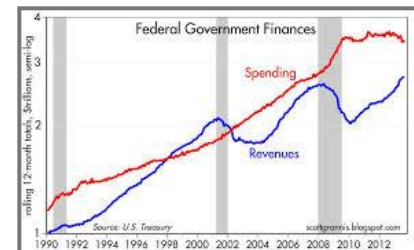
## A Workplace Strategy IS:

A business case-driven acknowledgement of, and functional and financial response to, 21<sup>st</sup> century workforce needs and behaviors:

- Collaboration
- Mobility



- Differentiated roles
- Cost/budget realities



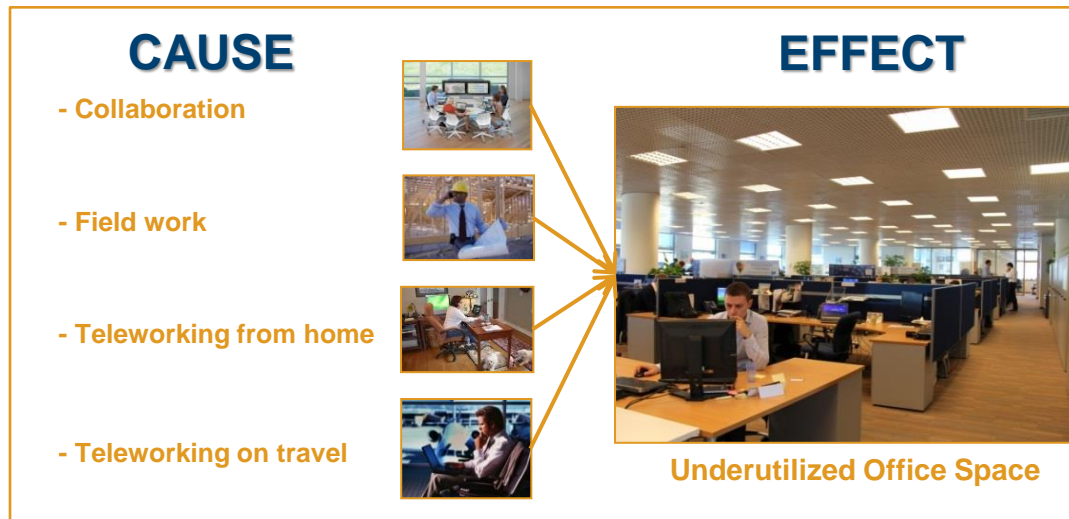
## A Workplace Strategy IS NOT:

- A design solution, *but it will result in one*
- A telework program, *but it may incorporate its capabilities and benefits as a competency*
- A blanket hoteling program, *but it may incorporate elements as appropriate to the organization and its workforce composition*

**Main Point:** Workplace Strategy is driven by workforce composition and behaviors and economic factors which constantly evolve

# Staff and Space Alignment

Today's workforce uses workspace in a way that is often at odds with traditionally planned and assigned workplaces.



Leases are legal obligations and the rent is still due even when budgets are cut or revenue is reduced.

Main Point: Facilities Managers need to constantly monitor and measure work behaviors to adjust plans and control costs

# Compelling Events

The economic downturn in 2009 drove the Commercial Sector's adoption of Workplace Strategies to control real estate costs.

Federal Agencies have their own set of business imperatives that are driving very similar behaviors:

- OMB mandate to “Freeze the Footprint”<sup>(2)</sup>
- Administration-led initiative to “Reduce the Footprint”<sup>(3)</sup>
- Sequestration/Budget Cuts Impact (FBI Agents Association “Voices From The Field”, September 2013)<sup>(4)</sup>:
  - “new intelligence investigations not being opened,”
  - “not enough funding for agents to put gas in their cars”

**Main Point: Agencies need to establish a Workplace Strategy that aligns work patterns with the work environment and re-balances funding:**





# 'Combined Arms' Approach

## Real Estate:

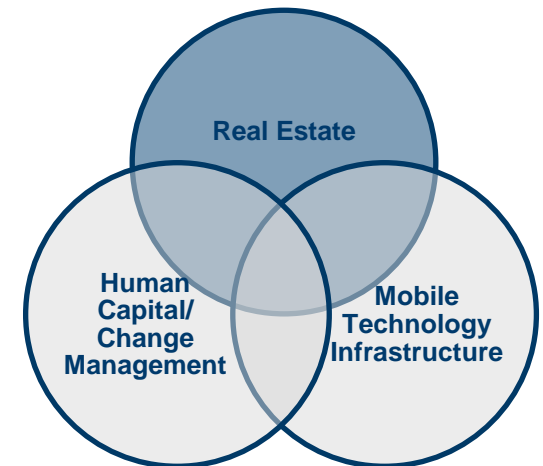
- Assess Occupancy Agreement commitments, compare to Market Rates
- Quantifying current utilization rates
- Identify Special Purpose Space requirements/unit, location, region
- Identify opportunities in tenant-favorable markets on buildings

## Human Capital/Change Management:

- Define workforce composition
- Executive/manager/staff/union sponsorship/participation
- Performance management - Focus on accountability
- Engagement and commitment to mission

## Mobile Technology Infrastructure:

- Enable mobile work
- Security considerations and connectivity issues
- Data to support insightful analysis



**Main Point:** Facility Managers will need to work closely with their counterparts in Human Resources and Information Technology and attention to Change Management is essential for success

# Business Case Assessment

## Today's Workforce is Mobile

We spend more time in collaborative work spaces, in the field, on TDY, and teleworking and less time at individual workstations. The result is a **measurable percentage** of **costly under- and even un-utilized workspace**.

## 35 – 50% of offices are under-utilized<sup>5</sup>

GSA states that “...*the average utilization for workspace in the U.S. and in Europe between the hours of 8:00 AM and 5:00 PM is 35 to 50 percent...*”

## Annual workstation cost = \$10k – \$15k/FTE<sup>5</sup>

This same report also states that “*the cost of accommodating the average Federal associate typically runs \$10,000 - \$15,000 annually per person.*”

## Benefits of a Workplace Assessment

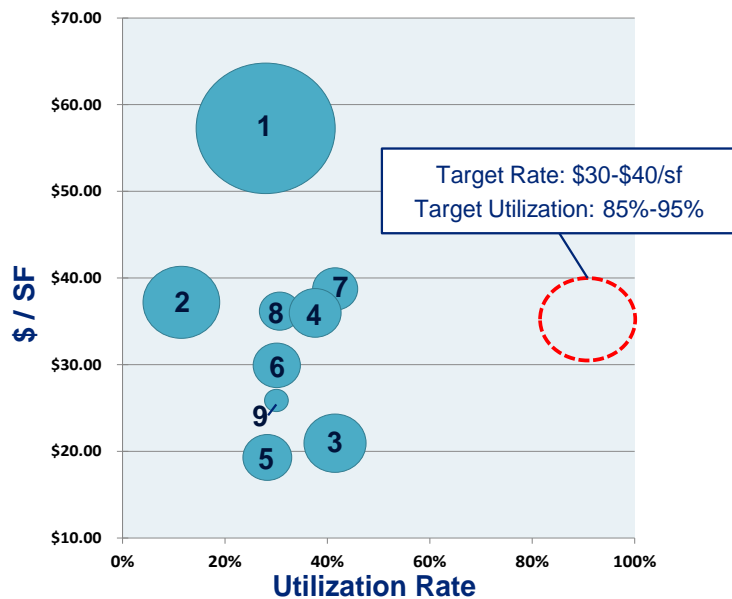
- Identifies opportunities:
  - Reduce real property footprint and operating costs
  - Increase utilization and achieve USF Goals
  - Redirect funding from unnecessary rent to mission support
- Enables \$5M to \$7.5M cost reductions per 1,000 FTEs at 50% average daily utilization<sup>(5)</sup>

**Main Point: Aligns the Workplace with the way employees are already working: collaboratively and where they need to be**

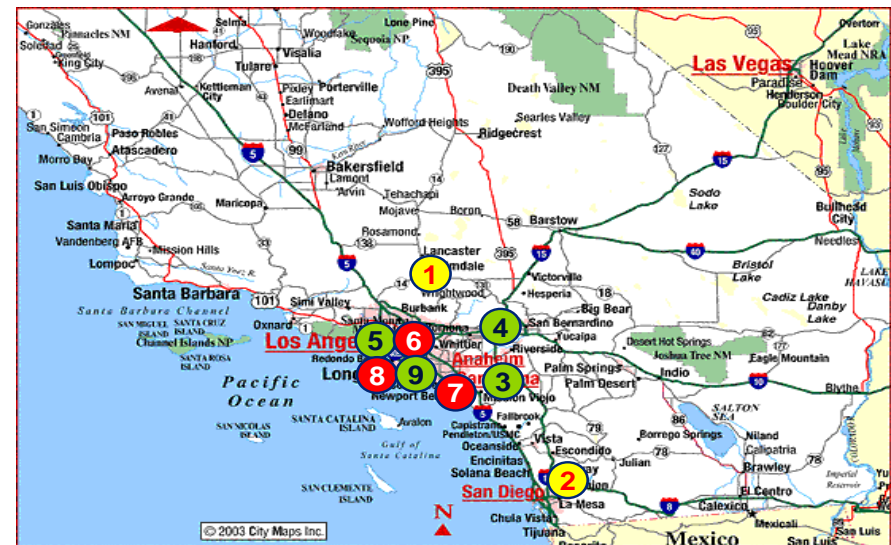


# Real Estate Assessment

Case Study: Identified the “Realm of the Possible:” reduce Real Property operating costs by over 40% nationally for a Federal law enforcement agency



Potential LA Metro Consolidation Plan



Keep lease – add FTE

Downsize lease

Eliminate lease

Main Point: Assessment showed that all LA offices had daily utilization <50% and largest lease was \$20/SF over Market – allowed for planning 3 lease terminations, 2 downsizings, and 4 consolidations

# Workforce Composition

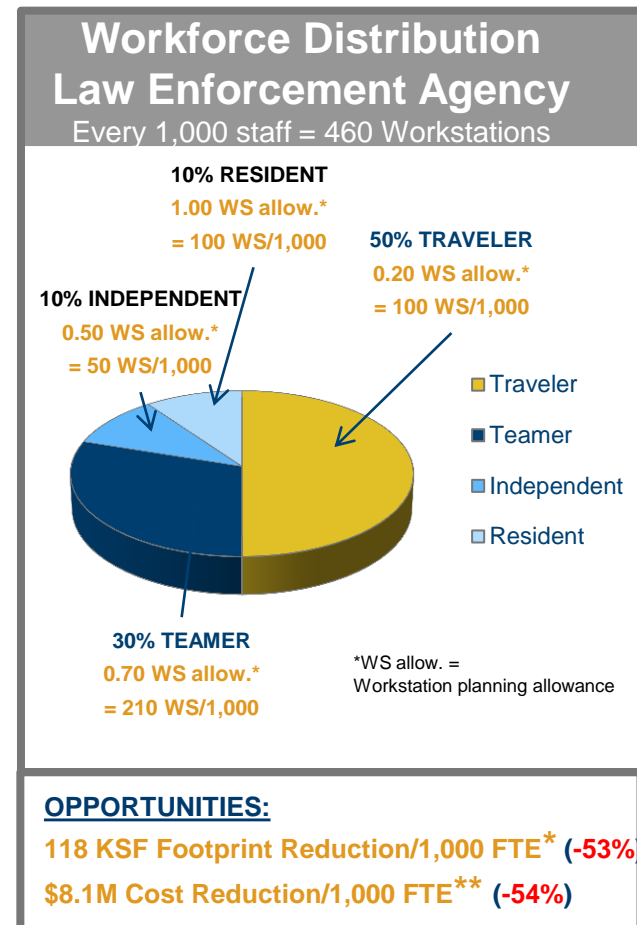


## Human Capital/Change Management focus:

- Assess the workforce composition,
- Emphasis on performance-based management
- Reduce Risk to Mission

*Change Management is critical to success*

**Main Point: Assessing the composition of worker types is key to defining footprint and cost reduction opportunities within a given portfolio at the National, Regional, Cityscape levels.**



\* Assumes 220 USF/Person average x 540 unneeded workstations - \*\* Assumes \$15K/workstation x 540 unneeded workstations



# Myth Busting: Too Costly, Time Consuming

If the average daily occupancy is  
**60%** then you can achieve:

Staff : Workstation  
Leverage Ratio

**1.5:1**

- Effectively achieve **145 USF/ staff \***
- **30%+** space and rent reduction

If the average daily occupancy is  
**50%** then you can achieve:

Staff : Workstation  
Leverage Ratio

**2.0:1**

- Effectively achieve **110 USF/ staff \***
- **40%+** space and rent reduction

If the average daily occupancy is  
**30%** then you can achieve:

Staff : Workstation  
Leverage Ratio

**3.0:1**

- Effectively achieve **110 USF/ staff \***
- **40%+** space and rent reduction

\* Assumes baseline of 220 Usable Square Footage Per Person (USF/P) within an Agency

Main Point: Leverage current office occupancy to achieve footprint and cost reductions and mitigate budget reductions by re-directing funds to mission support - **without moving a wall or changing a stick of furniture.**



# Myth Busting: Perceived Obstacles

Budget cuts, mission growth, and frozen footprints present enough challenges without adding **Culture** to the mix.

A structured Change Management approach is critical to success and needs to foster:

- **Executive-level sponsorship**
- **Staff/Union participation**
- **A Workplace Strategy based on a business case addressing quantitative and qualitative issues**
- **Open and frequent communications to all parties throughout the process**

**Main Point: While Culture sometimes does eat Strategy for lunch, that's rarely the case when the initiative includes a structured Change Management approach**



# How Does Your Organization Envision Using Facilities Management Standards?

- Broadening the Definition of Facilities Management to run the cycle from Strategy to Operations to Management and back to Strategy
- Incorporating Industry Leading Practices
  - Business Case supported strategies and methodologies
  - Identification of leading performance measures and indicators
  - Inclusion of Change Management approach to support acceptance and promote success

Main Point: As no one set of “standards” will apply to all, the definition of what FM encompasses, and the identification of leading practices and performance measures will help redefine and elevate FM



# Let's Connect!

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Send Me Your Questions

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