



# Strategic Facilities Plan

State of Minnesota

Department of Administration  
Real Estate and Construction Services (RECS)

November 2022

**CBRE**

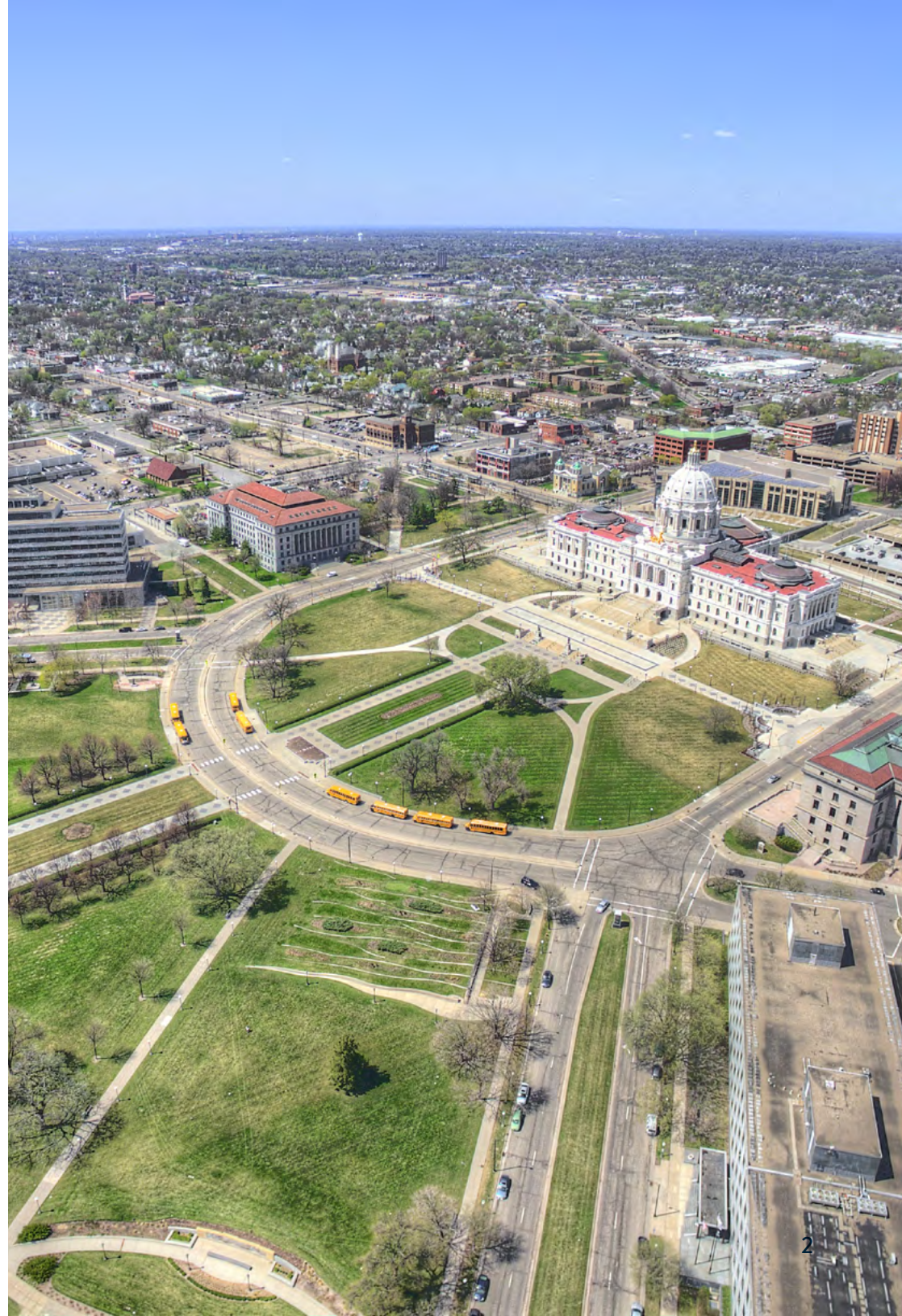


**WALKER**  
CONSULTANTS



# Table of Contents

3	Introduction Letter
5	Executive Summary
22	Space Utilization Analysis
69	Portfolio Analysis



1

Introduction Letter

---

Minnesota Department of Administration  
50 Sherburne Ave, Suite 200  
Saint Paul, MN 55155

Attn: Wayne Waslaski, Interim Assistant Commissioner  
+1 651 201 2561  
wayne.waslaski@state.mn.us

November 14, 2022

Dear Interim Assistant Commissioner Waslaski,

On behalf of CBRE, Inc. and Walker Consultants, thank you for the opportunity to work collaboratively with you and your team on this Strategic Facilities Plan.

With your support, the CBRE team has analyzed almost three million square feet of owned and leased office space in the Capitol Complex and downtown St Paul and another three million square feet in additional markets. We have interviewed and surveyed almost 5,000 hard-working State employees and leaders, hosted multiple working sessions, and become very familiar with the State of Minnesota's real estate portfolio and the efforts of your dedicated staff to maintain and operate it.

Like many initiatives and efforts, our engagement has been predicated on the effects of the COVID-19 pandemic, which has had ripple effects throughout our state, country, and society writ large. Every sector of our economy and daily lives have been affected by the varying impacts of the pandemic, and employees' relationship with their office space has been no exception.

Minnesota has so far taken an employee-centric approach to its ongoing and future occupancy and is embracing teleworking in accordance with business needs and employee preferences on an agency/department basis. As a result CBRE uncovered significant efficiencies and real estate savings opportunities.

Through this study, CBRE has reviewed the State's current occupancy in selected buildings on the Capitol Complex and in downtown St Paul to develop recommended densification and efficiency measures to more effectively use owned and leased space. This study is particularly timely in light of the substantial vacancy created by telework.

800 LaSalle Avenue, Suite 1900  
Minneapolis, MN 55402  
+1 952 924 4600

Our report recommends densification and backfilling to significantly reduce your occupancy in and around the Capitol Complex.

This analysis includes parking scenarios delivered by Walker Consultants in a technical appendix to support Admin's Facilities Management Division (FMD) to effectively manage your parking inventory going forward.

It is our hope that these recommendations provide a clear path for efficiency and cost-savings for Admin and your hard-working staff. We look forward to your feedback and to working with you to implement these recommendations at your direction.

Sincerely,



Anne P. Rahm  
Midwest Regional Manager  
CBRE Public Institutions & Education Solutions

# 2

## Executive Summary

---

# Executive Summary

## Introduction – Project Overview & State Goals

Following a competitive procurement in 2021 under SWIFT Event ID: 2000011295, CBRE, Inc. and Walker Consultants were engaged by the State of Minnesota’s Department of Administration - Real Estate and Construction Services (RECS) team. The objective of the engagement was to undertake “Strategic Facilities Planning for Current Leased and Owned Office Space and Parking and Transit Study for State Owned, Leased and Street Parking on the Capitol Complex, State of MN” (“the Plan”).

The goal of the Plan is to develop strategies to lease and own facilities that:

- Support the delivery of programs and services expected by the people of Minnesota
- Are healthy, safe and sustainable
- Are used efficiently
- Use taxpayers’ funds effectively

Specifically, Admin was seeking to determine the long-term facilities and parking needs of state government following a significant shift to telework among State employees, and in recognition of “the new normal” of the COVID-19 pandemic.

The impact of the pandemic on professionals’ relationships with their office space has been profound, evolving, and varied across industries, geographies, and sectors. In Minnesota, hard-working State employees quickly adapted to remote work operations, collaborating remotely and working flexibly to continue to deliver the services your taxpayers and citizens expect. Admin has considered the State’s business needs, citizen accessibility, and the viability of remote work as compared to its mission when authorizing teleworking arrangements.

The move to telework has resulted in reduced agency space requirements at the Capitol Complex and significant corresponding vacancy. The vacancy created by telework provides opportunities for the State to reduce its overall space footprint by using space more efficiently which potentially avoids associated operating costs as a result.

The demand for teleworking contributes to the growing challenge of attracting and retaining employees. The preference for flexibility in both the public and private sector is coupled with employee demands for amenities and conveniences at the workplace. This challenge is furthered for such government employers as the State of Minnesota due to limitations on uses within state-owned assets.

An important subtext of this study is Admin’s interest in optimizing the use of owned real estate on the Capitol Complex. Most state capitol campuses consist of owned, historic, and landmark real estate that is likely to remain under state ownership in both the near and long terms - Minnesota is no exception. As a result, using owned real estate at the Capitol Complex to its maximum efficiency is a high priority.

Through interviews, surveys, physical space assessment, analysis, and industry best practices, CBRE and Walker have developed recommendations to densify your occupancy into your owned portfolio at the Capitol Complex, in scenarios that accommodate your staff’s occupancy and parking needs.



## Project Scope & Approach

### Three Components

The RFP outlined several task areas for study which we grouped into the following categories identified below:

#### Space Utilization Analysis

- Identify opportunities for space consolidation and reconfiguration resulting from telework plans implemented by state agencies, boards and councils in accordance with MMB's Telework Policy HR/LR Policy #1422 and the Office Reopening Tool Kit
- Identify private and public sector benchmarks and best practices and make recommendations for space utilization in hybrid telework environment
- Identify private and public sector benchmarks and make recommendations for modern work environments; provide roadmap for transitioning current work environments in an affordable manner
- Identify opportunities and cost/benefit for co-location of state agencies, boards and councils
- Identify private and public sector benchmarks for amenities necessary to retain existing workforce and recruit new team members and for team member well-being
- Identify benchmarks for the type, quantity and location of spaces needed to support agencies' business needs
- Gather stakeholder feedback on proposed space changes
- Facilitate engagement with all branches of government, CAAPB, local neighborhood, accessibility / disability groups and other stakeholders to ensure broad input on strategic plan
- Provide final recommendations for achievable and affordable facilities strategies and projects to support agencies' business needs.

#### Portfolio Analysis

- Analyze current lease costs and market trends in markets with over 50,000 sq.ft. of state occupied space across the State and complete a comparative analysis with existing leases
- Obtain and analyze current operating cost and asset preservation benchmarks for comparable private and public sector facilities
- Provide recommendation on percentage of owned and leased office space
- Provide life-cycle cost analysis on leasing and ownership solutions for proposed projects over 100,000 sq.ft.
- Provide life-cycle cost analysis on remodeling / renovation proposed projects over 100,000 sq.ft.

#### Parking & Transit Study\*

- Understand & evaluate existing conditions
- Estimate future demand for parking and transit on the Capitol Complex
- Identify best practices for parking and transit solutions on the capitol Complex
- Recommend changes needed to develop a blended parking and transit system in the Capitol Complex.

\*Provided as a separate technical appendix

## Project Scope & Approach

### Research Questions

CBRE's engagement was designed to support Admin and RECS to determine answers to the following questions:

- 1 How do we best support the delivery of programs and services to the public?
- 2 What is the most effective and efficient use of our space factoring in flexible workspaces?
- 3 What are our future projected space needs and highest and best use for owned sites to optimize the portfolio?
- 4 How do we project parking needs on the Capitol Complex and implement best practices?

In order to develop a workplace strategy that supports the needs of the State of Minnesota, we gathered various data inputs from leaders and employees from February to July 2022 through the following research process:





## Buildings In Scope

Minnesota state agencies have extensive and diverse real estate needs. The State owns a total of 36 million square feet in more than 6,000 buildings. Additionally, Admin leases over 3.8 million square feet of space for state agencies with annual rent totaling more than \$80 million. The property types include office space, storage and warehouse space, workforce centers, residential facilities, hospitals, training centers, correctional facilities, environmental monitoring sites, boat slips, laboratories, driver vehicle exam stations, communication facilities, probation offices, and licensing centers.

For the purposes of this study, CBRE reviewed various subsets of the portfolio with a focus on office space, providing space utilization analysis and corresponding recommendations for six owned buildings at the Capitol Complex and ten leased buildings within downtown St Paul and in Minneapolis, shown below and totaling 2,993,412 USF. The leased properties below were selected based on their size of greater than 50,000 USF. CBRE also provided portfolio analysis throughout the greater leased portfolio, described in more detail in Section 4 of this report.



## In-Scope Building Index

CBRE reviewed building performance across the six owned and ten leased properties (greater than 50,000 USF) specified below. Several areas of note are identified in the below Building Index:

	Owned						Leased									
	Freeman	Stassen	Andersen	Transportation	Centennial	Admin	444 Lafayette Rd	443 Lafayette Rd	520 Lafayette Rd	500 Lafayette Rd	Town Square Center	Golden Rule Building	Great Northern Building	400 Wabasha St	1450 Energy Park Dr	400 Stinson Blvd
Total USF	258,853	328,590	335,557	263,211	213,224	58,389	280,172	103,958	166,129	140,440	196,560	227,512	146,790	60,982	117,888	95,085
Building Headcount	1,341	1,259	1,625	1,148	1,079	374	1,156	362	728	618	700	1,007	725	265	375	440
USF Per Employee	193	261	206	229	198	156	242	287	228	227	281	226	202	230	314	216
Major Tenants	MDH, MDA	DOR, OAH	DHS	MnDOT	MMB	Admin	DHS	DLI	PCA	DNR	AG, DPS	COMM, MDH	DEED	HFA	DOC	MDE
Proximity to Complex	In Complex	In Complex	0.6 Mi	In Complex	In Complex	In Complex	1.7 Mi	1.3 Mi	1.2 Mi	0.8 Mi	0.6 Mi	1.3 Mi	1.1 Mi	0.6 Mi	4 Mi	9 Mi
Building Condition	Excellent	Good	Excellent	Average	Poor	Average	Good	Good	Excellent	Fair	Good	Good	Good	Excellent	Average	Good
Annual Rent/Employee FY22	N/A	N/A	N/A	N/A	N/A	N/A	\$5,392	\$5,627	\$5,077	\$5,043	\$6,547	\$5,915	\$4,927	\$6,133	\$7,276	\$4,333
Annual OPEX/Employee FY 22	\$7,288	\$4,300	\$7,862	\$4,570	\$3,829	\$3,871	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Annual OPEX FY22	\$9.8M	\$5.4M	\$12.8M	\$5.2M	\$4.1M	\$1.4M	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Annual OPEX/USF FY22	\$37.73	\$16.43	\$38.04	\$19.57	\$19.29	\$24.73	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Lease Expiration	N/A	N/A	N/A	N/A	N/A	N/A	6/30/26	9/30/28	12/31/28	6/20/26	9/30/28	7/31/2024	7/31/31	8/31/27	6/30/27	5/31/32

Denotes highest value in the category

Denotes lowest value in the category

Note: Opex for Freeman and Andersen include Debt Service and Building Replacement Funds for existing bonds maturing in 2027. Exclusion of these costs results in Opex for Freeman and Andersen of \$13.68 /USF and \$17.19 / USF, respectively resulting in the lowest cost/SF on the Complex.

Data source: Lease & Owned mn-all-leases-by-end-date-report-2022-01-20105419.794.xls

## Summary of Findings on Capitol Complex

### Significant opportunity to densify Capitol Complex, reduce leased footprint, and use space more efficiently

As a result of the State's transition to telework and through the research and analysis of our study, CBRE has developed recommended densification measures described below. Additional detail about these recommendations, their details, and rationales are provided in the body of this report. Admin can capture significant savings in rent by adopting these changes while still accommodating your existing and projected workforce.



## Consolidate into Capitol Complex

---

Adapting to telework through densification makes the best use of the significant vacant space available at the Capitol Complex.

### Policy Changes

- Adopt space standard of 175-200 USF/person
- Adopt weighted average workspace sharing ratio of 1.3 : 1 which assumes a continuation of flexible work policies as reflected in staff and leadership surveys and Return to Office (RTO) guidance

### Lease Actions

- Consolidate state agencies to Capitol Campus from leased facilities

### Owned-Building Actions

- Near term: Demolish Ford Building for redevelopment
  - Long term: Demolish Centennial Office Building for redevelopment
- 

Off of the Capitol Complex, we recommend the consolidation of the additional leases currently in regional "hubs" to be one location per area. These new hub locations should apply the same space standards and sharing ratios described above.



# Summary of Findings on Capitol Complex

## Significant Square Footage Available

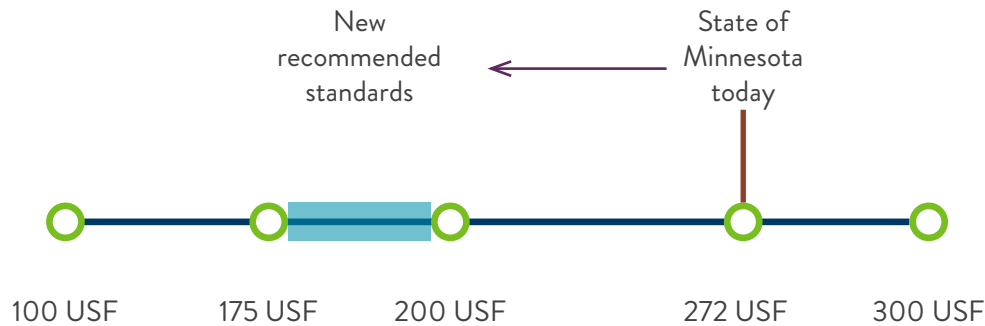
By the time of our study, 84% of CBRE-surveyed Minnesota state agency leaders expect to have employees teleworking in the future, while 90% believe they are effectively able to manage/lead their teleworking teams. The move to telework has resulted in reduced agency space requirements at the Capitol Complex and significant corresponding vacancy. The vacancy created by telework provides opportunities for the State to reduce its overall space footprint by using space more efficiently which potentially avoids associated operating costs as a result.

Adapting that vacant space into a usable occupancy strategy going forward will be facilitated through two actions by Admin:

1. Applying a uniform space standard going forward, and
2. Adopting a shared workspace model with a weighted average sharing ratio of 1.3 employees per work station.

### 1. Apply a uniform space standard

- Apply a uniform space standard of 175 - 200 USF per person. Currently the State is operating at approximately 272 USF per person which is higher than many of your public sector peers. Applying this more efficient space standard will support the densification of space going forward and a more efficient occupancy profile.



**36%** more seats are available in existing owned space through the implementation of space standards

Note: Densification and implementation of new space standards would require investment in new furniture and construction to right-size existing spaces and to re-align seat supply with the new headcount demand.

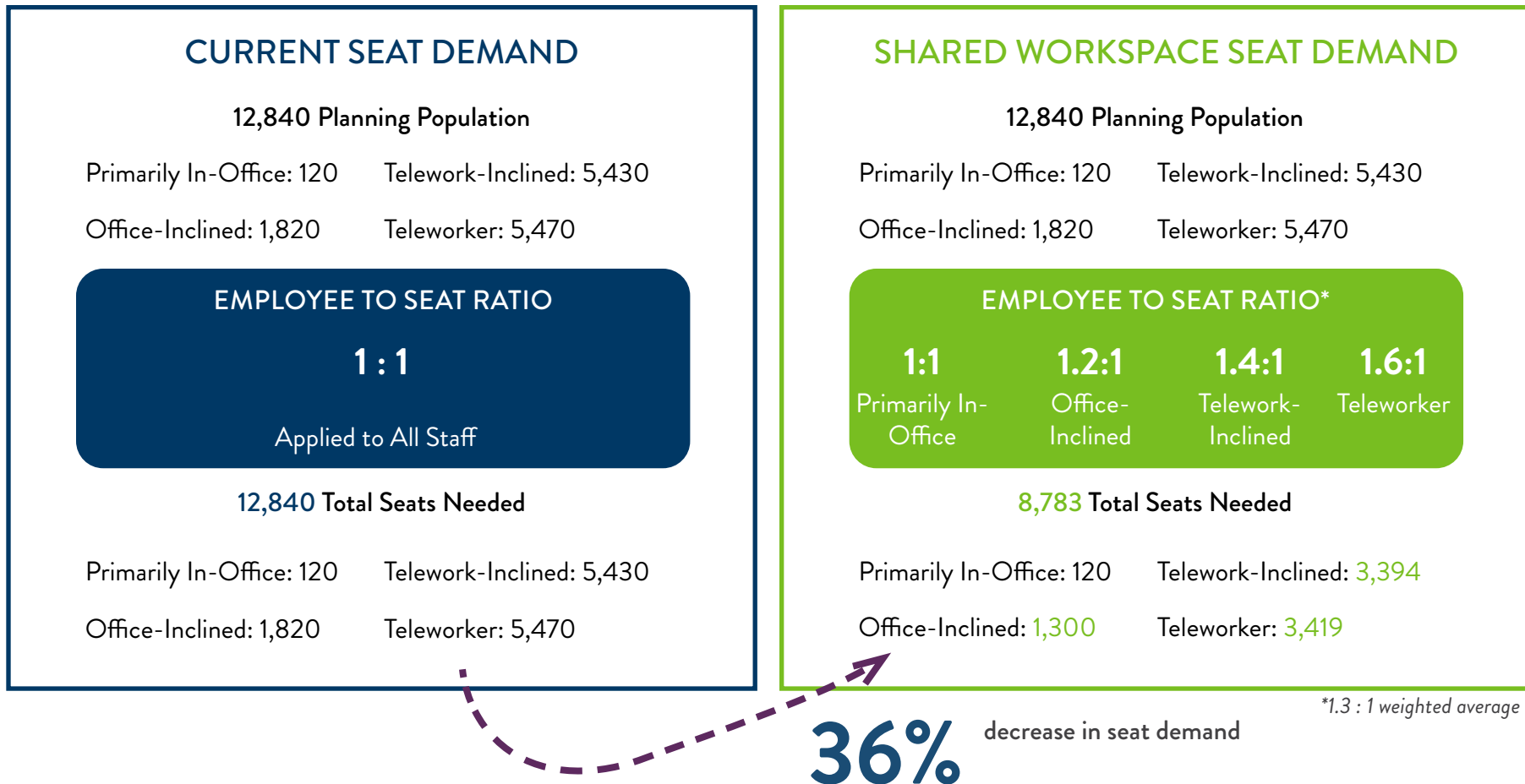


# Summary of Findings on Capitol Complex

## Significant Square Footage Available

### 2. Apply shared workspace ratios to reflect reduced staff in the office

- Adopt a weighted average workspace sharing ratio of 1.3 : 1 to appropriately reflect the amount of people in the office at any given time and reduce the amount of work spaces required. By reducing the number of workstations available and implementing a shared/free address model, the State can provide thousands fewer workstations across its departments while still having enough to seat employees that do come to the office.
- We estimate that moving to a shared desk/hoteling model will reduce the amount of total seats needed by over 4,000.



## Summary of Findings on Capitol Complex

### Available Vacancy in Owned Space Enables Reduction in Leased Space

The findings on page 11 reflect significant changes to the State’s occupancy in downtown St Paul. Following surveys, interviews, and space analysis, CBRE determined that the vacancy created in owned space by telework, space standards, and shared work stations will allow for the following densification from leased space to owned. The available vacancy in the below owned buildings more than allows for the space needs of incoming staff, as is shown through the difference between the Building USF and the Future Total USF Demand once new departments and agencies move in. We recommend reviewing existing leases on a case by case basis to identify opportunities to move departments into owned space.

### Scenario 1: Consolidate into One Area: Capitol Complex

*Densified headcounts will fit into owned space assuming a weighted average 1.3 : 1 sharing ratio and typical expected attendance under telework policies*

- Adopt space standards of 175-200 USF/person
- Apply weighted average sharing ratio of 1.3:1 across the properties
- Sunset major leases and consolidate state agencies to Capitol Campus from leased facilities

Note: These moves detail moves from leased locations with greater than 50,000 USF only. Given the additional remaining vacancy in the owned portfolio (see Future Total USF Demand column), there is the opportunity to further densify these buildings by moving smaller leases from downtown St Paul into the six owned buildings. This is an area for future study.

Building	Building USF	Current Tenants	Current Headcount	Future Headcount	Future Total USF Demand
Freeman	258,853	MDA MDH	500 734	3,369	188,675 (73% occupied)
Stassen	328,590	DOR	1,500	2,833	94,241 (29% occupied)
Andersen	335,557	DHS MNIT	2,034 1,236	4,345	60,498 (18% occupied)
Transportation	263,211	MnDOT	1,012	1,412	104,411 (40% occupied)
Administration	58,389	Admin Security	504 85	1,102	37,904 (65% occupied)

\*Programming details are based on conservative sharing ratio and calculated “typical” expected attendance

## Summary of Findings on Capitol Complex

### Near Term Demolition Opportunity: The Ford Building

Built in 1914, the Ford Building is located at 117 University Avenue W. Saint Paul, adjacent to the Capitol Complex. The building is 32,148 SF, and has been vacant since 2004.

The Ford Building is currently costing approximately \$35,000 annually to maintain. Due to the deterioration of the roof, the building is experiencing considerable water damage and accumulation of mold which will require significant costs to repair and remediate.

At the request of the RECS, CBRE prepared a lifecycle cost analysis to develop a new 246,000 SF building with a 651 space parking structure on the existing site. The projected costs to do so is \$126 million or \$513/SF. This translates to an average occupancy cost of \$37.45/SF and \$26.74/SF over the next 30 years on a non-discounted and NPV basis, respectively.



## Summary of Findings on Capitol Complex

### Long Term Demolition/Redevelopment Opportunity: Centennial Office Building

The Centennial Office Building (COB) is located at 658 Cedar Street on the Capitol Complex in Saint Paul. COB is 213,224 USF and was officially home to over 1,000 employees prior to teleworking. Occupying departments include Minnesota Management and Budget (major tenant), Department of Administration, the Minnesota Campaign Finance and Public Disclosure Board, Minnesota Office of the Legislative Auditor, MNIT Services, Senate (major tenant), the Minnesota Council on Latino Affairs, and the Council on Asian-Pacific Minnesotans.

COB is in below average condition and would require improvements in order to attract and retain employees. At the request of RECS, CBRE prepared three cost analyses for COB based on the following:

1. Complete renovation of existing footprint
2. Complete renovation and addition of one story
3. Demolition and development of a 375,000 SF replacement facility.

The costs of these renovation/development scenarios range from \$102M - \$149M. Based on these costs we recommend alternate approaches to either use the existing square footage without a complete renovation or demolition of the building

In the near term, COB can be used for swing space during implementation of the densification recommendations, conference space, and other temporary uses that may be helpful to Admin.

Should the State choose to maintain ownership of COB, the space could focus on public-facing services. Such offerings would increase visitations and awareness to the campus as well as generate parking revenue. It is assumed that security measures would be implemented to accommodate such alternative uses.

In the long term, the square footage at COB may not be required to accommodate the State's ongoing occupancy based on the recommendations in the Facilities Strategic Plan being implemented. If desired, the State can relieve itself from annual operational costs of \$4.1M per year and required renovations estimated at \$320/SF.





## Summary of Findings, Other Portfolio Analysis

### Lease Costs & Trends in Markets with Over 50,000 SF of State-occupied Space

Following an in-depth review of seven markets where the State occupies greater than 50,000 SF, our analysis found that the State generally negotiates more favorable terms than market transactions.

Those terms include operating expense caps, cancel rights, improvement allowances, use of their own lease form, special HVAC provisions, Furniture, Fixtures and Equipment allowances, rent expense on a usable square foot basis, leverage to obtain base building repairs, turnkey improvements versus allowance caps, reduced parking rents, reduced storage rents, timing of rent payments (end of the month) etc.

Areas where the State could improve rent and business terms within its leased portfolio:

- Longer renewal terms
- Escalations applied only to net rent
- Lease in single story suburban buildings where rents and parking costs are typically lower
- Combine offices in areas to get a higher USF
- Explore speculative space options that have FFE included with shorter terms
- Seek suites that have glove-fit existing improvements to keep such costs down thereby lowering overall rent. This strategy can also be applied to renewals.
- Seek energy efficient spaces

Please see Section 4 of this report for a market-by-market analysis.

### Operating Costs Benchmarked to Market & Peers

CBRE analyzed and compared operating expenses among six State-owned buildings to those of its peers using multiple research sources. The comparison chart can be found in Section 4.

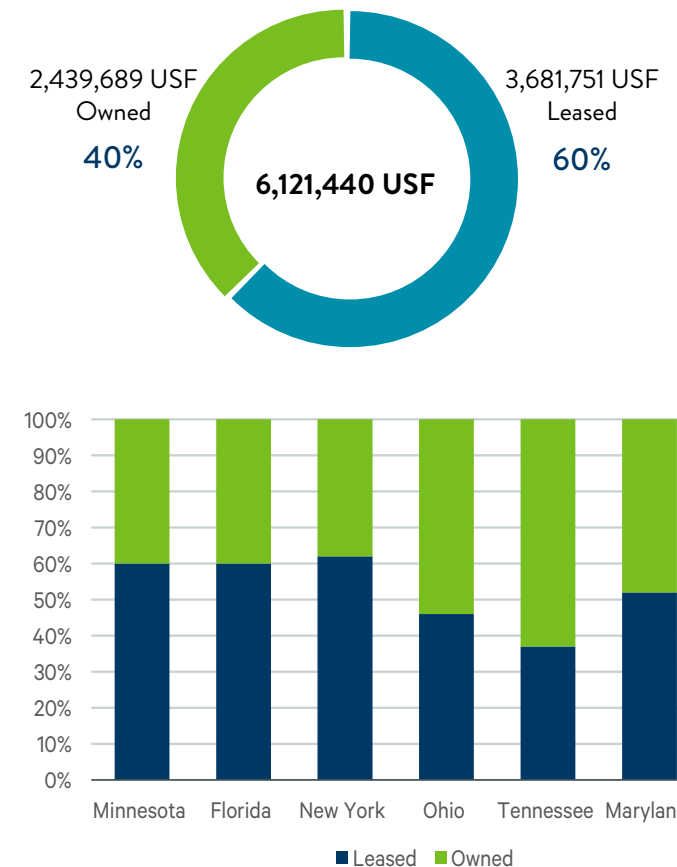
It is CBRE's observation that operating expenses per building incurred by the State are in line with the market, if not lower. Some of these below-market trends are due to the fact that the State does not pay real estate taxes on its owned assets, unlike private owners. When real estate taxes are removed from the private sector owned asset data, the State's operating costs are higher than market. This is in part attributable to the nature of the State's portfolio; the majority of the buildings are mid-century design and construction and are not designed to modern sustainability and efficiency standards. In addition, certain costs are required to be covered in the State's operating costs that are not included in private sector leases. As a result, potential cost savings from the elimination of real estate taxes are offset by higher operating costs associated with these features of the buildings. Ongoing diligent management of deferred maintenance will enable the State to continue to perform competitively against the private sector market on the operating costs metric.

Contributions to the State Building Replacement Funds are budgeted as part of the issuance of lease-purchase financing on the Andersen, Freeman and Senate Buildings. These contributions are calculated by the State at \$1/USF. Our analysis discovered that private sector market capital reserve funds are typically budgeted at \$0.25/SF, well below the State's guideline.

### Owned versus Leased Office Space

Overall the State's proportion of owned versus leased space is in line with peer entities including New York, Florida, Maryland, and Ohio.

Portfolio by Usable Square Feet



Please see Section 4 of this report for additional details.

## Summary of Findings, Other Portfolio Analysis

### Life Cycle Cost Analysis - Ford Building and Centennial Office Building

At the request of RECS, CBRE prepared three cost analyses for Centennial Office Building based on:

- Complete renovation of existing footprint
- Complete renovation and addition of one story
- Demolition and development of a 375,000 SF replacement facility.

The costs of these renovation/development scenarios range from \$102M - \$149M.

RECS also requested a 30-year life-cycle cost analysis for the replacement of the Ford Building which assumes the replacement of Ford by a 246,000 square foot office building and a 238,917 square foot parking structure. The cost of this new building is \$126M excluding demolition.

### Lease versus Owned Analysis - Ford Building and Centennial Office Building

At the request of RECS, CBRE performed a Lease vs. Own analysis for COB and the Ford Building. In order to understand the true cost of ownership, the analyses applied values to the buildings in Year 30 which proved the ownership option to be more cost effective.



# Summary of Findings, Parking & Transit

## Parking Operations

The Walker Consultants team prepared a Parking and Mobility Strategic Plan as an appendix to this report to complement the recommendations regarding office space densification in the reduced occupancy environment of the Capitol Complex. The strategic plan documents the current state of Admin operated and managed parking (focusing on Admin owned parking), transit, and mobility on the Capitol Complex in St. Paul, and provides a guiding framework for future operations and management of these programs. Separated into five distinct chapters, the strategic plan serves as a technical appendix to the broader strategic facilities plan prepared by CBRE.

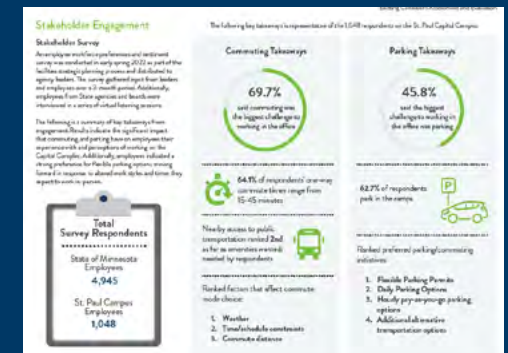
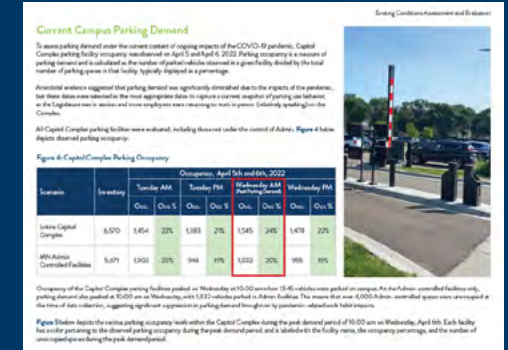
The analysis and the considerations focus on all Department of Administration owned and leased parking facilities on the Capitol Complex in St. Paul (north of I-94 and west of Jackson Street), in addition to the mobility services, programs, and options providing access to the Capitol Complex. These parking and mobility facilities, programs, and services provide access to the Capitol Complex for employees and visitors alike. Minnesota State Statute 16B.58 authorizes the Department of Administration to operate parking facilities under the custodial control of Admin. Admin Facilities Management Division (FMD) is the specific entity within the Department of Administration that operates and manages parking.

Walker's analysis confirmed anecdotal evidence suggesting that parking demand was significantly diminished due to the impacts of the pandemic; peak parking occupancy at the entire Capitol Complex and specific-Admin controlled facilities did not exceed 25% on representatively sampled days.

Based on parking facility proximity, observed parking demand and use patterns, and engagement with Admin personnel and Capitol Complex stakeholders, Lot AA, and Lot BB should be considered the highest priority parking facilities as candidates for removal/repurposing to other uses.

Lot H may also be a candidate for a removal/repurposing depending on the continued evaluation of facility use. Any removal/repurposing of parking should be deliberately considered to ensure that all user types and needs are properly accommodated within the system.

This report has been submitted separately to Admin for review and contains Walker's detailed methodology and findings across contract, hourly, and on-street parking modalities.



## Participants

This study was conducted under the leadership of the Minnesota Department of Administration, Real Estate and Construction Services (RECS) team and made possible by the participation, candor, and time contributed by RECS leadership and the below departments, agencies and boards of the State of Minnesota.

### State of Minnesota Departments & Agencies

- Minnesota Department of Administration (Admin)
- Minnesota Department of Agriculture (MDA)
- Minnesota Department of Commerce (COMM)
- Minnesota Department of Corrections (DOC)
- Minnesota Department of Education (MDE)
- Minnesota Department of Employment & Economic Development (DEED)
- Minnesota Department of Health (MDH)
- Minnesota Housing Finance Agency (MHFA)
- Minnesota Department of Human Rights (MDHR)
- Minnesota Department of Human Services (DHS)
- Iron Range Resources and Rehabilitation Board (IRR)
- Minnesota IT Services (MNIT)
- Minnesota Department of Labor & Industry (DLI)
- Minnesota Management & Budget (MMB)
- Minnesota Department of Military Affairs (DMA)
- Minnesota Department of Natural Resources (DNR)
- Minnesota Office of Higher Education (OHE)
- Minnesota Pollution Control Agency (MPCA)
- Minnesota Department of Public Safety (DPS)
- Minnesota Department of Revenue (MDOR)
- Minnesota Department of Transportation (MnDOT)
- Minnesota Department of Veterans Affairs (MDVA)

### Other State of Minnesota Entities

- Minnesota Lottery
- Minnesota Council on Disability
- Office of the Ombuds for Corrections
- Minnesota Public Utilities Commission
- Sentencing Guidelines Commission
- MNsure
- Professional Educator Licensing and Standards Board
- Minnesota Board of Dentistry
- Minnesota Board of Chiropractic Examiners
- Minnesota Board of Cosmetology
- Minnesota Board of Psychology
- Minnesota Barber Examiners Board
- Capitol Area Architectural & Planning Board

### Additional Stakeholders Consulted

- City of St Paul



## Glossary of Terms

Definitions based on State of Minnesota standards and common industry terms:

**Usable Square Footage (USF):** usable space is dedicated or shared space used for office/storage/production functions. It is calculated by measuring from the inside finished surface of exterior walls to the inside finished surface of building corridor and other permanent walls or to the center of walls demising the usable area from adjacent tenant space. Measurement is taken from the exterior wall glass line only if more than fifty percent (50%) of the wall (measured vertically) is glass.

Excluded from the usable square feet measurement are:

- vertical shafts
- elevators
- stairwells
- dock areas
- mechanical, utility and janitor rooms
- restrooms, corridors, lobbies and receiving areas accessible to the public;
- each and every column and/or pilaster within the usable area of four (4) square feet or more; and
- each and every column and/or pilaster attached to the exterior or demising wall within the usable area

**Rentable Square Footage (RSF):** rentable space includes usable space and space that supports building functions:

- usable space (office and storage)
- dock areas
- mechanical, utility and janitor rooms
- restrooms, corridors, lobbies and receiving areas accessible to the public;
- each and every column and/or pilaster within the usable area of four (4) square feet or more; and
- each and every column and/or pilaster attached to the exterior or demising wall within the usable area

**Gross Square Footage (GSF):** gross space is calculated by measuring from the inside finished surface of exterior walls. Measurement is taken from the exterior wall glass line only if more than fifty percent (50%) of the wall (measured vertically) is glass. Gross space includes usable, rentable and vertical areas (stairwells, elevator/mechanical shafts, plumbing/utility chases, atriums, etc.).

**Headcount:** Number of people accommodated or assigned to a space.

**Seat Count:** Number of individual work seats provided. Seats may be in the open workspace environment (workstation) or within in a private office.

**Collaboration ratio:** The ratio of seats provided in enclosed meeting rooms and open collaboration areas to the total individual seat count (does not include focus rooms).

**Open/Closed Percentage:** Percent of individual work seats provided in the open workspace environment (workstations) vs. those provided in a room with full height walls (private or shared office).

**Me Space (Individual Space):** Portion of Usable Area allocated towards individual assigned and unassigned workspace, including offices and workstations.

**We Space (Collaboration Space):** Portion of Usable Area intended to directly support the work performed in the workspace. Includes meeting rooms, open collaboration areas, break rooms, production spaces and filing.

**Amenities:** Portion of Usable Area that provides shared support and special or mission-critical functions. Includes food service, fitness, training room, reception.

3

Space Utilization  
Analysis

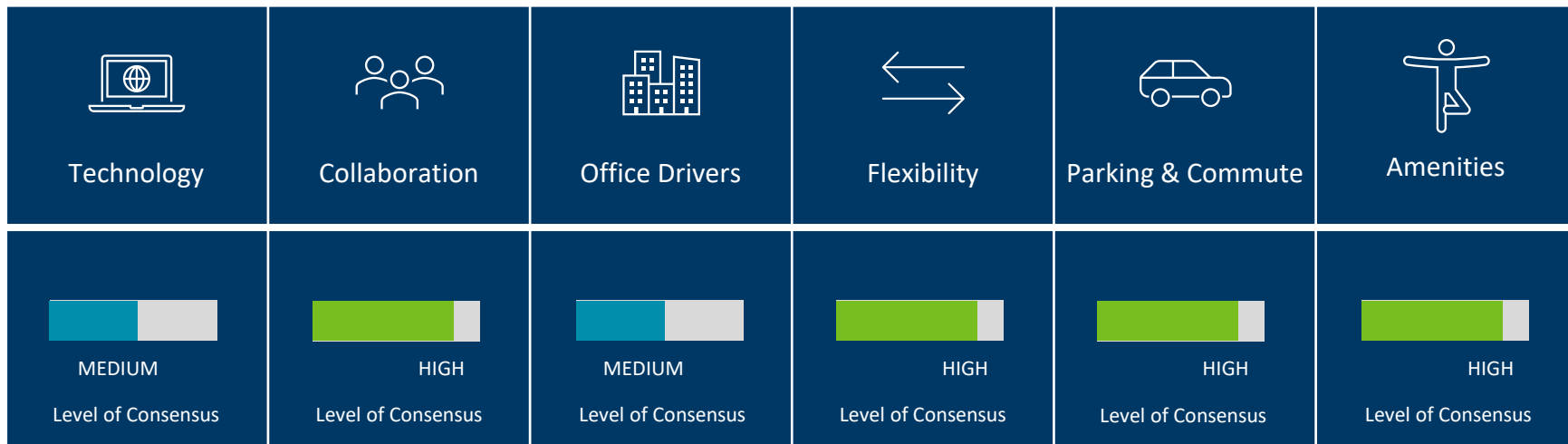
---

## Research Activities

In order to develop a workplace strategy that supports the needs of the State of Minnesota, we gathered various data inputs from leaders and employees from February to July 2022 through the following research process:



## Key Themes and Consensus





## Themes Detail

### Technology

Investment and improvement in technology is needed to support teleworking and hybrid collaboration. Employees also desire standardized technology to foster a more seamless work experience both in and outside of the office.

### Flexibility

Most agencies saw a dramatic change of in-office working form pre-COVID to current. Most agencies believe they can work from home productively and want to continue to have the option to telework.

### Collaboration

Collaboration and team connection are primary drivers to the office. Teams desire an improved ability to collaborate effectively in-person and across a hybrid workforce.

### Parking & Commute

Prior to COVID, commuting was one of the primary challenges employees encountered when working in the office. Employees desire flexible and convenient parking and commute options to align with their new ways of working.

### Office Drivers

Employees expect to return to the office for access to teammates and equipment they do not have when working remote.

### Amenities

Typical amenities in a future workspace are a low concern for most employees. The top amenities employees desire include natural light, space for solitude, and nearby access to public transportation.

## What is NPS?

Net Promoter Score (NPS) separates clients into three categories: **promoter**, **passive** and **detractor**

- World's leading metric for employee loyalty
- Adds scaled measure to align with behavioral insights (analytics)
- NPS measures “likelihood to recommend”, which can be challenging to interpret for required-use internal tools

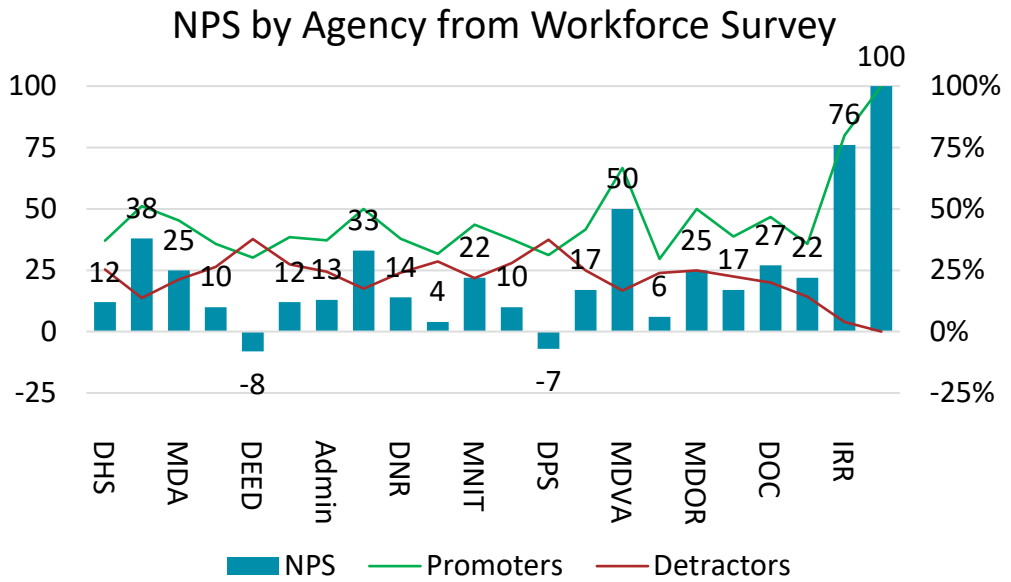
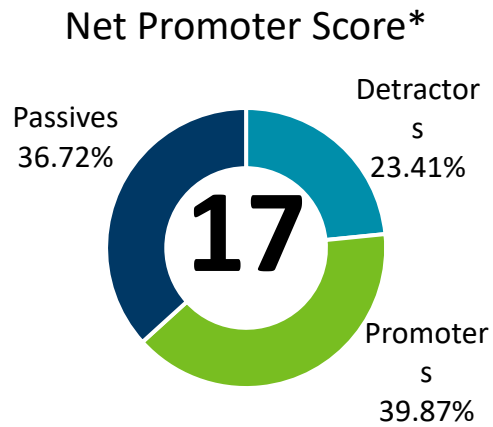
QUESTION: Based on your experience, how likely is it that you would refer State of MN to a peer or colleague?

Not likely  
at all

 0 1 2 3 4 5 6 7 8 9 10

Extremely  
likely

# Scores at State of Minnesota




\*Net Promoter Score (NPS) question asks, "How likely is it that you would recommend the overall workplace of your assigned office to a friend or colleague?" on a scale of 0-10. Detractors answer 0-6, Passives answer 7 and 8, and Promoters answer 9 and 10. NPS reflects % Promoters less % Detractors. Average pre-workplace strategy score across all sectors is between -20 and -30.

## Persona Breakdown

Four personas were identified amongst the State of Minnesota employee base through analysis of current office utilization, future anticipated space demand, teleworking productivity, and amount of individual focus work.

**82%** Of employees surveyed prefer to be in the office 1 or fewer days per week



**1%**

Primarily In-Office  
4+ Days in Office

**17%**

Office-Inclined  
2-3 Days in Office

**41%**

Telework-Inclined  
4+ Days Remote

**41%**

Teleworker  
N/A

# Agency Trends Scorecard

LEGEND	
<span style="display:inline-block; width:15px; height:15px; background-color:darkblue;"></span>	High importance
<span style="display:inline-block; width:15px; height:15px; background-color:lightgreen;"></span>	Average importance
<span style="display:inline-block; width:15px; height:15px; background-color:lightblue;"></span>	Low importance

	DEED	IRR	MMB	Admin	MDA	COMM	DOC	MDE	MDH	DHR	DHS	DLI	DMA	DNR	DOR	MnDOT	MDVA	DPS	MHFA	MnIT	OHE	PCA
Flexibility	High	High	High	Average	Average	High	Low	High	High	Average	Low	Average	Low	Average	High	High	Low	Average	High	Low	Average	High
Office Drivers	Average	Low	Low	High	Low	Low	Low	Low	Low	High	Average	High	High	Low	Average	Low	High	High	Average	Low	Average	Low
Technology	Average	Low	Average	High	Low	Low	Low	Low	Low	High	Low	Low	Low	Low	High	Low	Low	Low	Average	High	Average	Average
Collaboration	Low	Low	Low	Low	Low	Low	Low	Low	Low	High	High	High	Average	Low	High	Low	Average	Average	Low	Average	Average	Low
Parking & Commute	Low	Low	Low	Low	Low	Low	Average	Low	High	Low	Low	Low	Low	Low	Low	Low	Low	Average	Average	High	Low	Low
Amenities	Low	Low	Low	Low	Low	Low	Average	Low	Low	Low	Low	Low	Low	Low	Low	Low	Low	Average	Low	Low	Low	Low



## Adjacency Mapping by Agency

From the research, it was determined there were **two main drivers for agency adjacencies.**

Overlapping internal work that required collaboration or transportation of people, items, documents, etc.

Customer services that flow through multiple agencies or have dependencies between agencies

**20 interconnections were found between agencies**



### High Level of Interconnection

The businesses cannot operate in separate physical locations due to the constant level of public need to interact with both departments.



### Medium Level of Interconnection

The businesses could inefficiently operate in separate physical locations but would either burden customers' accessibility or increase financial impact to one or both agencies.



### Low Level of Interconnection

The businesses can operate sufficiently in separate physical locations with minimal financial impact or disruption to customers.

---

# Overview of Recommendations

A

# Summary

## BUILDING & PORTFOLIO SIGNIFICANT FINDINGS\*

- **272 USF** average per workstation (individual open workstations and offices) across portfolio\*
- **1 : 0.4** average collaboration ratio (individual seats : collaborative seats) across portfolio
- **65%** percentage of total seats that are individual workstations
- **19%** percentage of all individual workstations that are private offices
- **14%** percent of overall square footage is allocated to amenity or support-type spaces

## AGENCY SIGNIFICANT FINDINGS

- **84%** of state agency leaders expect to have employees teleworking in the future, while **90%** believe they are effectively able to manage/lead their teleworking teams.
- **34%** of state agencies reported needing improved technology to support collaboration.
- **52%** of agencies reported a need for specialty space due mostly to either security (confidentiality requirements) or public accessibility.
- **51%** of agency employees believe their main reason go to the office will be for team connection and community.

\*Portfolio refers to analyzed selection of office portfolio

# Building Index

	Owned Buildings						Leased Buildings									
	Freeman	Stassen	Andersen	Transportation	Centennial	Admin	444 Lafayette	443 Lafayette	520 Lafayette	500 Lafayette	Town Square Center	Golden Rule Building	Great Northern Building	400 Wabasha	1450 Energy Park	400 Stinson
Total USF	258,853	328,590	335,557	263,211	213,224	58,389	280,172	103,958	166,129	140,440	196,560	227,512	146,790	60,982	117,888	95,085
Building Headcount	1,341	1,259	1,625	1,148	1,079	374	1,156	362	728	618	700	1,007	725	265	375	440
USF Per Employee	193	261	206	229	198	156	242	287	228	227	281	226	202	230	314	216
Major Tenants	MDH MDA	DOR	DHS	MnDOT	MMB	Admin	DHS	DLI	PCA	DNR	DPS	COMM MDH	DEED	MHFA	OHE	MDE
Proximity to Complex	In Complex	In Complex	0.6 Mi	In Complex	In Complex	In Complex	1.7 Mi	1.3 Mi	1.2 Mi	0.8 Mi	0.6 Mi	1.3 Mi	1.1 Mi	0.6 Mi	4 Mi	9 Mi
Building Condition	Excellent	Good	Excellent	Average	Poor	Average	Good	Good	Excellent	Fair	Good	Good	Excellent	Excellent	Average	Good
Annual Rent/Employee	N/A	N/A	N/A	N/A	N/A	N/A	\$5,392	\$5,627	\$5,077	\$5,043	\$6,547	\$5,915	\$4,927	\$6,133	\$7,276	\$4,333
Annual OPEX/Employee FY22	\$7,288	\$4,300	\$7,862	\$4,570	\$3,829	\$3,871	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Annual OPEX FY22	\$9.8M	\$5.4M	\$12.8M	\$5.2M	\$4.1M	\$1.4M	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Annual OPEX/USF FY22	\$37.73	\$16.43	\$38.04	\$19.57	\$19.29	\$24.73	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Lease Expiration	N/A	N/A	N/A	N/A	N/A	N/A	6/30/26	9/30/28	12/31/28	6/20/26	9/30/28	7/31/24	7/31/31	8/31/27	6/30/27	5/31/2032

 Denotes highest value in the category

 Denotes lowest value in the category

Data source: Lease & Owned mn-all-leases-by-end-date-report-2022-01-20105419.794.xls

Note: Opex for Freeman and Andersen include Debt Service and Building Replacement Funds for existing bonds maturing in 2027. Exclusion of these costs results in Opex for Freeman and Andersen of \$13.68 /USF and \$17.19 /USF, respectively resulting in the lowest cost/SF on the Complex.

# Localized Building Inventory

- 1 Administration
- 2 Centennial
- 3 Transportation
- 4 Andersen
- 5 Freeman
- 6 Stassen
- 7 Great Northern Building
- 8 400 Wabasha
- 9 1450 Energy Park
- 10 400 Stinson
- 1 444 Lafayette
- 2 443 Lafayette
- 3 520 Lafayette
- 4 500 Lafayette
- 5 Town Square Center
- 6 Golden Rule Building
- 8 400 Wabasha
- 9 1450 Energy Park
- 10 400 Stinson





## Agency Index

**84% of surveyed state agency leaders expect their teams to be majority teleworking in the future. The agencies that account for Office-Inclined or Primarily In-Office personas are 18% of all FTEs.**

\*Headcount numbers based on direct feedback from agency representative in interviews

AGENCY	PLANNING HEADCOUNT*	ASSIGNED BUILDING(S)	PERSONA	ADJACENCIES	PUBLIC ACCESSIBILITY	SPECIALTY SPACES
Department of Employment & Economic Development	725	Great Northern	Telework-Inclined	DHS	Low	Call Center, Servers
Iron Range Resources & Rehabilitation Board	44	Multiple Offices in Northern MN	Telework-Inclined	DEED, DNR	None	Parking/Storage for Cars, Boardroom
Minnesota Management & Budget	260	Centennial	Teleworker	MHFA	Low	None
MN Department of Administration	504	Admin, Freeman	Telework-Inclined	MnDOT, DPS	None	Trade Shop, Fleet Management Warehouse
MN Department of Agriculture	500	Ag/Health Lab, Freeman	Office-Inclined	DNR, MPCA, MDH	None	None
MN Department of Commerce	340	Golden Rule Building	Telework-Inclined	MPCA, ADM, MMB	High	Mail Room
MN Department of Corrections	350	1450 Energy Park	Telework-Inclined	None	Medium	Computer Lab w/ Server Room
MN Department of Education	440	400 Stinson	Office-Inclined	MDVA, DHS, OHE	High	None
MN Department of Health	1,600	Ag/Health Lab, Freeman, Golden Rule Building	Telework-Inclined	MDA, MPCA	High	Conference Space
MN Department of Human Rights	59	540 Fairview Ave	Office-Inclined	DEED, MDE, MHFA	Medium	None
MN Department of Human Services	2,034	Andersen, 444 Lafayette, Golden Rule	Teleworker	DEED, OHE, MDE, MDVA	High	None

## Agency Index

**84% of surveyed state agency leaders expect their teams to be majority teleworking in the future. The agencies that account for Office-Inclined or Primarily In-Office personas are 18% of all FTEs.**

\*Headcount numbers based on direct feedback from agency representative in interviews

AGENCY	PLANNING HEADCOUNT*	ASSIGNED BUILDING(S)	PERSONA	CRITICAL ADJACENCIES	PUBLIC ACCESSIBILITY	SPECIALTY SPACES
MN Department of Labor & Industry	453	443 Lafayette Rd	Office-Inclined	COMM, DNR, MDA	None	Lab, Lockers, Training, Mail Room, Docking
MN Department of Military Affairs	53	Veterans' Services	Primarily In-Office	None	High	Storage, Server Rooms
MN Department of Natural Resources	650	500 Lafayette	Office-Inclined	IRR, MPCA, MDA	Medium	None
MN Department of Revenue	1,500	Stassen	Telework-Inclined	None	Medium	Scanning Equipment, Loading Dock
MN Department of Transportation	1,012	Transportation	Telework-Inclined	ADMIN, DPS, DLI, DNR	High	None
MN Department of Veterans Affairs	67	Veterans' Services	Primarily In-Office	DHS, MDE	Medium	None
MN Department of Public Safety	485	Town Square Center	Office-Inclined	Admin, DPS	High	Event Space
MN Housing & Finance Agency	280	400 Wabasha St	Telework-Inclined	MMB	Medium	Space to House Desktops
MN IT Services	1,236	Centennial	Teleworker	None	Low	None
MN Office of Higher Education	73	1450 Energy Park	Office-Inclined	DEED, MDE	Medium	Event Space
MN Pollution Control Agency	619	520 Lafayette	Telework-Inclined	DNR, MDA, MDH	Medium	None

---

# Workplace Recommendations

B

## Recommendation Going Forward

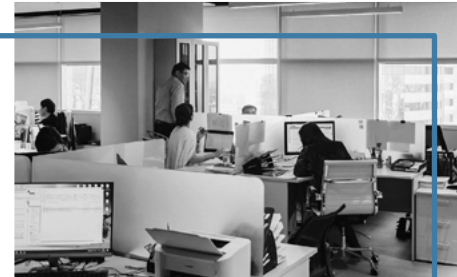
Occupancy levels at the State of Minnesota are expected to be frequently low due to high preference of employees to work hybrid or remote.

Despite this low utilization, there is still an expectation for the peak demand to be higher than typical average. With this, there could still be days where all workstations are occupied by SoMN employees, and non-traditional seating options would be utilized.

Determining work practices and space allocation methodology will influence which spaces will be prioritized while employees are in the office. Overlaying the proper technologies will allow for the best and most efficient use of space while employees are in the office.



People



Space



Technology

Workplace Recommendations

---

People



## Flexible Work Best Practices

### Establish Core In-Office Days

- Provide guidance for managers to develop a plan for core in-office days
- Use these days for 1:1 and team meetings to promote in-person collaboration when in the office



### Host Employee Events

- Host employee events to encourage people to come to the office and build connection with their colleagues through events like lunch & learns and happy hours



### Share Your In-Office Schedule

- Encourage employees to let others know what days they plan to be in the office each week
- Employees can do this by sharing their calendar with others, updating their Teams status with their current location each day, or simply messaging colleagues to share when they'll be in

## Workplace Etiquette

### Clean Desk Guidance

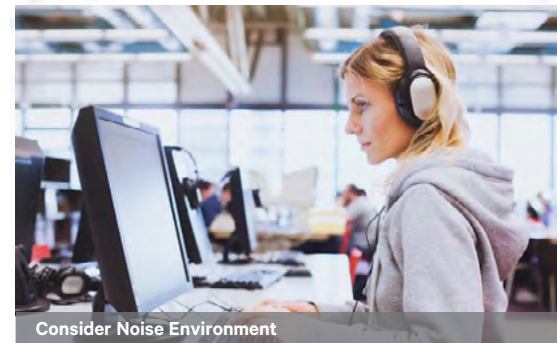
- Create protocols to keep shared spaces clean and restore setting after use, including removing personal items and paper before vacating
- Anything left behind will be disposed of

### Respect Meeting Reservations

- Ensure employees are respectful of meeting room reservations and don't camp out in spaces when others have booked the room
- Be mindful of canceling room booking if the room is no longer needed

### Reduce Distractions

- Conversations or meetings among three or more people should be relocated to meeting rooms or breakout areas
- Wear headphones or utilize focus rooms when on virtual calls



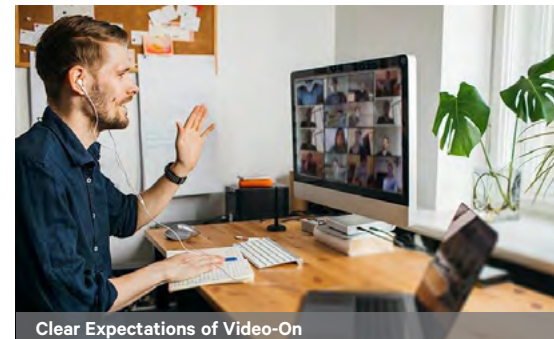
## Remote Working Etiquette

### Effective Communication

- Carry the same expectations regarding responsiveness, accountability and professionalism as when in the office
- For questions or ad hoc conversations, utilize MS Teams to quickly reach teammates and before setting up virtual meetings consider if the goal can be accomplished through a quick chat

### Define Expectations and Respect Time

- Be consistent with etiquette expectations with team members – for example, clarify when cameras need to be on, and when it's encouraged to be camera-free and formalize a designated communication channel for ad hoc discussion
- Scheduled meetings should be timed to allow attendees time for transition and breaks between meetings



Workplace Recommendations

---

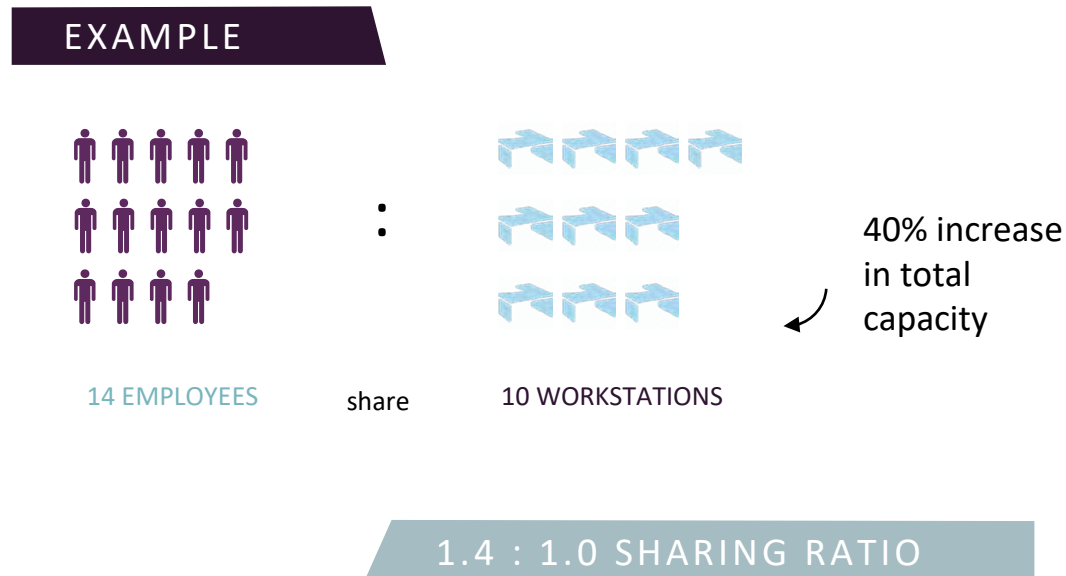
Space

Unassigned seating aligns with telework to promote flexibility while increasing capacity and efficiency through an existing footprint without additional investment.

## Adopt Sharing Model

Given employee sentiments around continuing to work flexibly, the State of Minnesota is positioned to drive a more **efficient occupancy strategy** through the adoption of seat sharing. While some roles require assigned spaces, most of the population can leverage shared workspaces given their less frequent in-office utilization.

The following visual illustrates the concept of sharing, as well as how to calculate a sharing ratio.



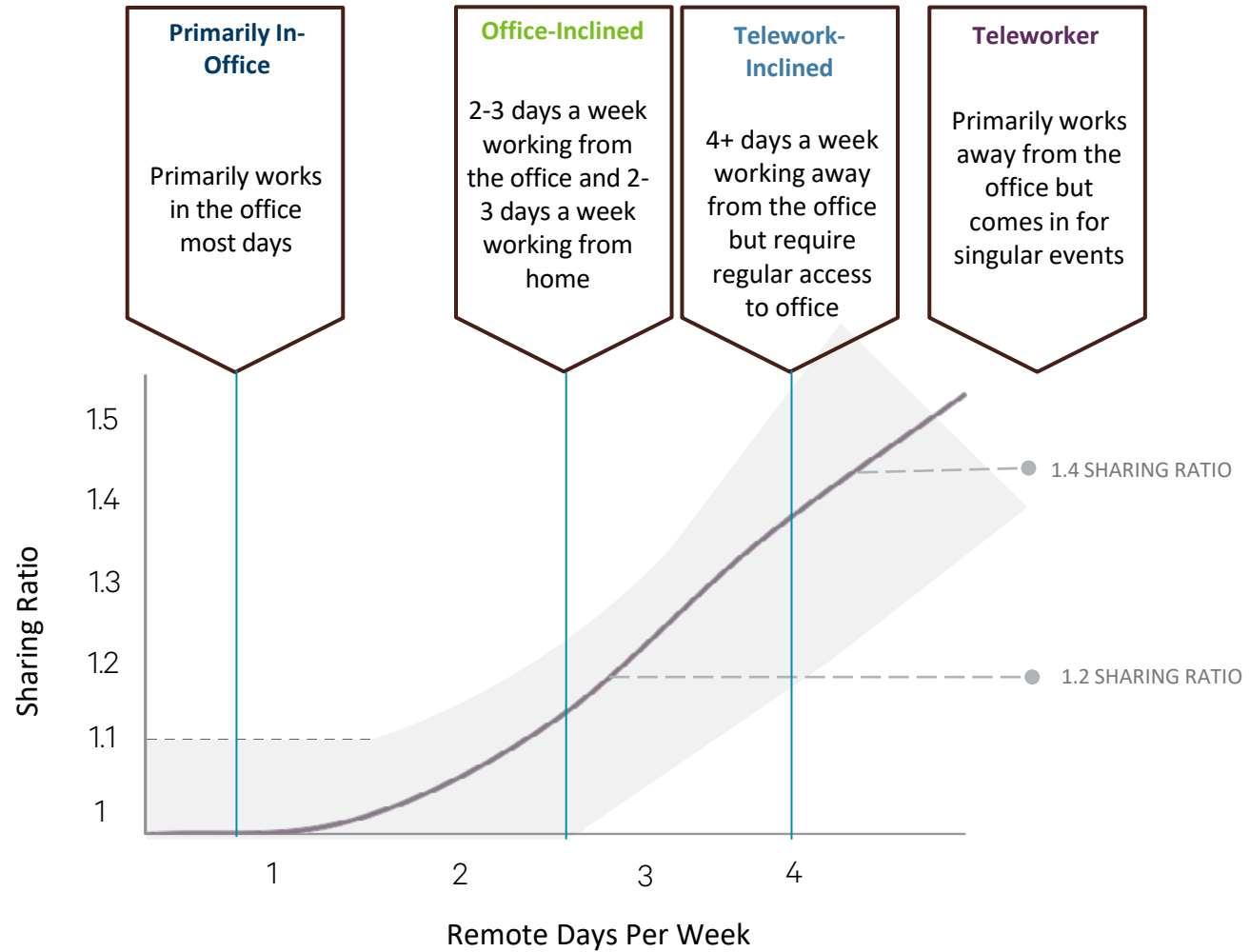
In this scenario, we know that on an average day, fewer than 10 employees will show up. On 9 out of 10 days, there will be enough individual spaces to accommodate all attendees.

# Sharing Ratios for Scenarios\*

Seats needed by scenario for an example headcount population of 100...

- Primarily In-Office = 100 seats
- Office-Inclined = 83 seats
- Telework-Inclined = 71 seats

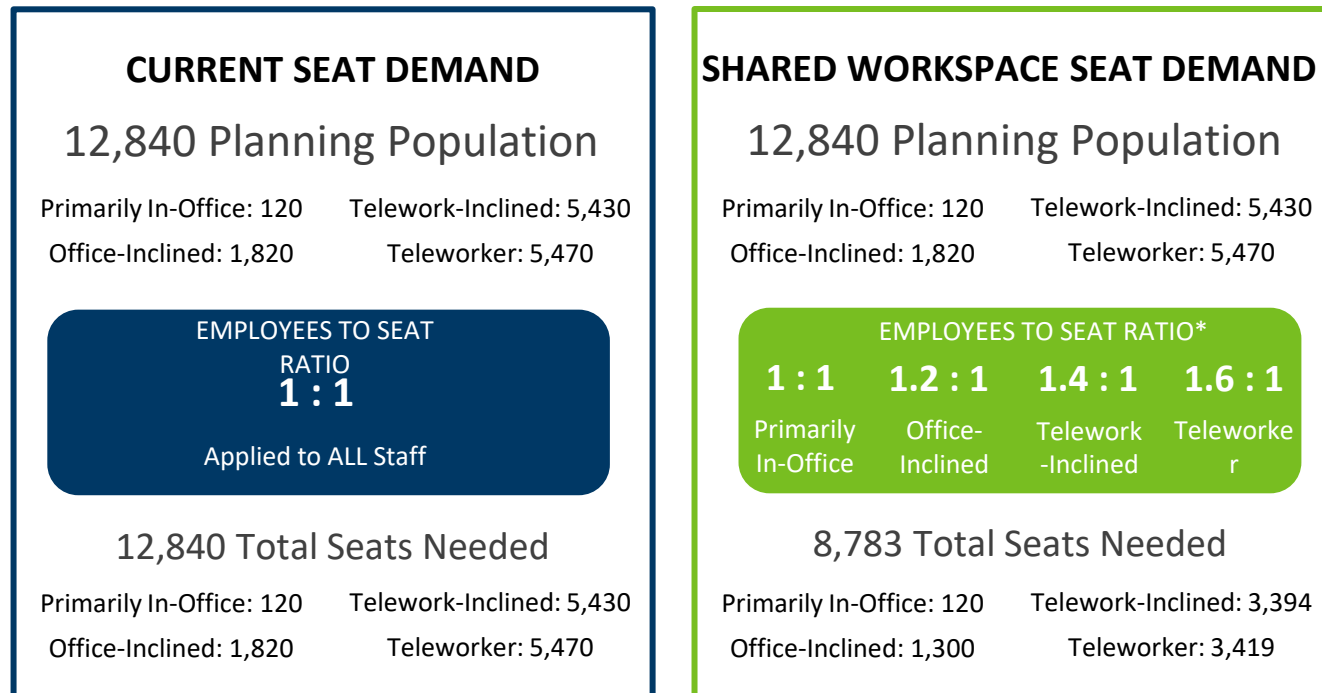
\*Shown numbers are for conservative scenarios only





## Adopt Sharing Model

By applying strategic sharing ratios to each persona, the State of Minnesota will be able to reduce the number of seats to match agency office demand. Implementing sharing ratios would allow the State of Minnesota to accommodate more employees on the Capitol Complex, as well reduce the total amount of required seats by 36%.



\*1.3 : 1 weighted average

**36% decrease** in seat demand

## Sharing Considerations

When implementing sharing ratios, having unassigned seats allows for the efficiencies of sharing to be realized. Dedicating spaces to sharing creates more efficiency so employees can access these on-demand as they utilize the office.

### BENEFITS OF DESK SHARING BEYOND SAVING SPACE:



Ability to change who one sits next to daily, in response to changing workflows or tasks



Promotes collaboration and mobility by untethering employees from a single setting within the office



Allows the organization to flexibly accommodate growth and maintain office density despite increased remote work

### IMPLEMENTING DESK SHARING AT STATE OF MINNESOTA:

1

Pilot hoteling spaces – allow users to “test drive” shared space and provide input

2

Implement hoteling spaces in locations or within agencies with Office-Inclined, Telework-Inclined and/or Telework users

3

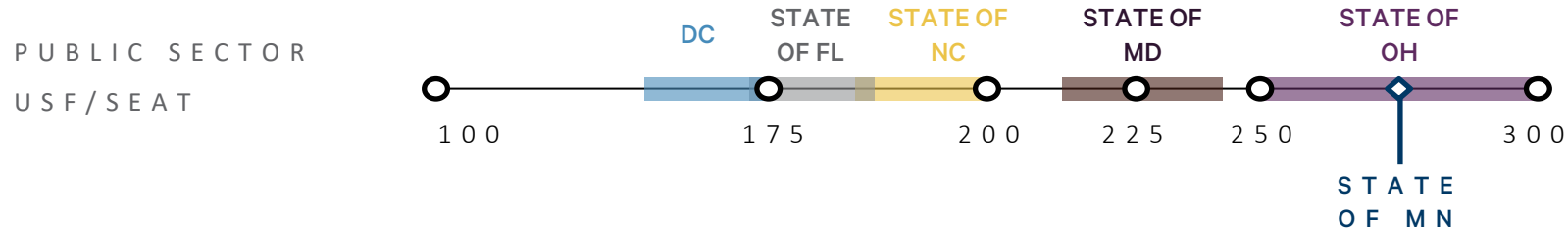
Ensure change management shifting to shared seating – users need to be aware of what and why, and make the change as seamless as possible

## Impacts of Implementing Space Standards

Space standards help create an efficiently planned workplace that meets employees' needs, while eliminating the traditional workplace hierarchy.

- 1 DEVELOP SPACE STANDARDS ALIGNED WITH AGENCY NEEDS**  
Identify critical needs for each agency to develop space standards that allow for a more efficient workplace plan.
- 2 DETERMINE SPACE ELIGIBILITY BY ROLE/JOB FUNCTION**  
Build exceptions into space standards based on specific roles and job functions. This ensures that all employees have an appropriate space to complete their work and reduced office hierarchy.
- 3 UTILIZE CHANGE MANAGEMENT**  
Use change management to prepare and support employees with workplace change, ensuring a more seamless transition from their current work environment to their future workplace.

# Public Sector Space Standards



**272 usf/seat**

usable square feet per individual seat across State of Minnesota buildings\*

**1 : 0.4**

average ratio of individual to collaborative seats across State of Minnesota buildings\*

**81%**

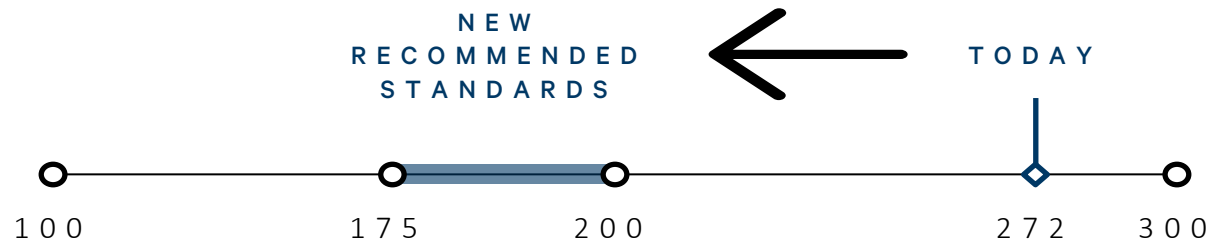
of individual seats are open workstations\*

\*Portfolio refers to analyzed selection of office portfolio

## Implementing Space Standards at State of Minnesota

Through space standards, the State of Minnesota can create more efficient utilization of space in existing locations through densification, thus allowing the State to review non-optimal locations that are non-owned or not in accessible geographical locations.

*Note: densification and implementation of new space standards would require investment in new furniture and construction to right-size existing spaces and to re-align seat supply with the new headcount demand*

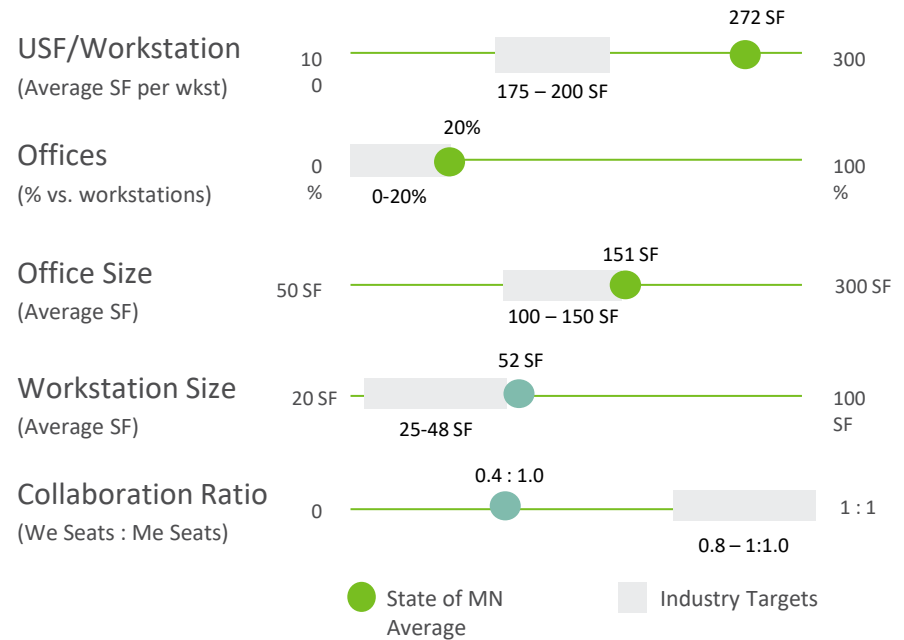
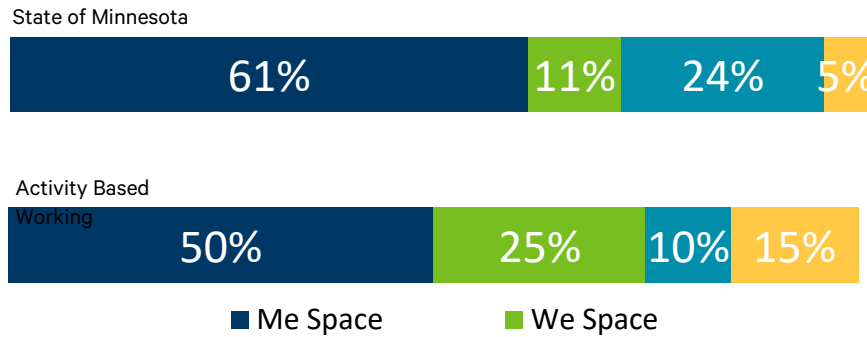


**36%**

potential increase of individual seats that can be created within the existing portfolio through the implementation of space standards

# Space Benchmarks

## Space Breakdown





## Activity-Based Neighborhoods

### Neighborhood Concept

- Create team neighborhoods that encompass a mix of individual and collaborative settings to serve as a home-base but which can also adapt as headcount needs change.
- Include dedicated hoteling and unassigned spaces for employees from other sites, hybrid roles, and visitors.

### Access to Privacy

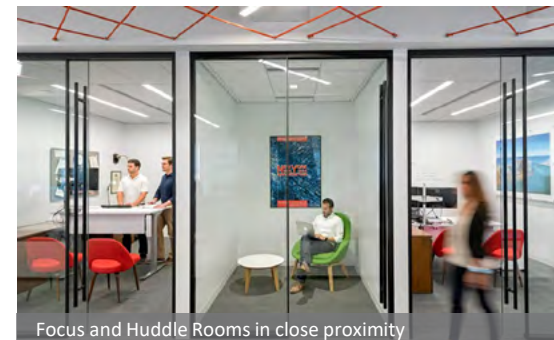
- Ensure all employees have access to privacy for heads-down work by providing spaces for individual focus.

### Kit of Parts

- Use a standard kit-of-parts in space programming to ensure familiarity and consistency throughout the space.



Team Neighborhood



Focus and Huddle Rooms in close proximity

## Variety of Collaboration Spaces

### Mixed-Presence Collaboration

- All meeting spaces should accommodate virtual and in-person participants with frictionless integration.
- Expand space offerings for small to medium-sized group collaboration, usually 2-10 people.



### Informal Spaces

- Incorporate more informal spaces for scheduled or unscheduled collaboration.
- Incorporate a variety of furniture set ups to support brainstorming and different meeting types (i.e. daily stand up, team huddle, 1:1 check in).
- Offer flexible/reconfigurable spaces with moveable partitions and screen sharing technology to support multiple use cases for the space.



## Amenities that Add Value

### Natural Light

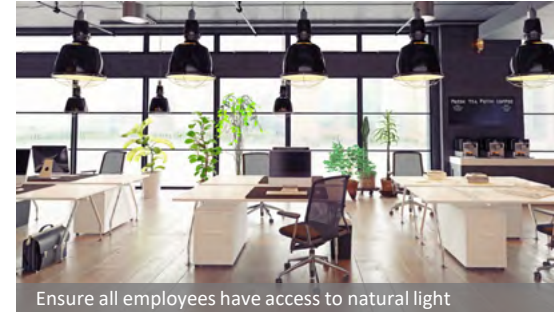
- Reduce the number of exterior offices and conference rooms to ensure all employees have access to natural light

### Space that Supports Mental Health

- Implement wellness rooms that support mental wellbeing

### Nearby Amenities

- Ensure the office is located near external amenities that matter to employees, such as:
  - Public transportation
  - Variety of food options
  - Daycares
  - Fitness facilities



Ensure all employees have access to natural light



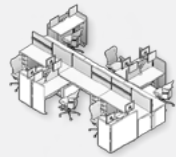
Offer wellness rooms in support of mental health

## Individual Space Kit of Parts

Individual space sizes should be standardized to limit variety across offices and reduce the sense of hierarchy within the space. Access to privacy should be available to all staff.

Employers are shifting away from private offices, with 25% eliminating private offices completely. For the supported individual seating for day-to-day individual tasks, over 90% of employers are providing their employees with sit-stand desk options.\*

\*CBRE | Global Occupancy Insights



### Workstation

- 36 SF
- More efficient standard that still allows for an appropriate amount of separation
  - Equipped with a small amount of storage and monitors
  - Sit/stand as standard



### Benching

- 25-30 SF
- Most efficient individual seat standard
  - Integrate all needed technology and monitors and offer some visual privacy across the spine
  - Sit/stand as standard



### Focus Room

- 60 SF
- Offer private, quiet space for heads down work or phone calls
  - Equipped with same technology as other individual spaces

## Collaboration Kit of Parts

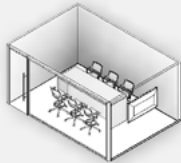
Collaborative spaces should provide staff with variety to accommodate different meeting sizes and types. All spaces should accommodate screen sharing and video conferencing.



### Huddle/Focus Room

2-4 seats

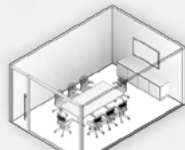
- Mix of reservable/non reservable for ad hoc meetings
- Good for quick connections or individual focus



### Small Conference

4-6 seats

- Mix of reservable and non-reservable for ad hoc meetings
- Good for small group check-ins/status meetings



### Medium Conference

8-10 seats

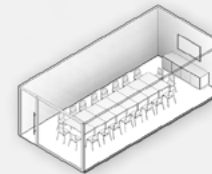
- Reservable
- Good for team check-ins/status meetings



### Large Conference

12+ seats

- Reservable
- Good for team check-ins/status meetings



### Extra-Large Conference

20+ seats

- Reservable
- Centrally located
- Good for external-facing meetings

Workplace Recommendations

---

Technology



## Support the Adoption of a Flexible Office

Technology is the foundation of a more flexible workplace, both at an individual and group level. In order to drive efficiency while in the office, as well as to support a more hybrid workforce, integrating standardized, seamless technology will be paramount to elevating productivity regardless of where you're working.

### Individual Technology

#### Universal Docking Stations

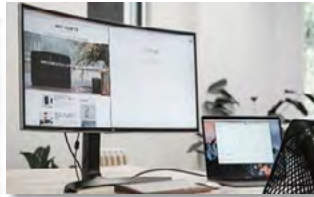


Docking stations provide quick connection to power and monitors for all employees, regardless of laptop type.

#### Charging Capabilities



#### Monitors w/Plug-N.Play



Ultra wide or dual monitors help employees feel productive and efficient as they work across multiple screens and software.

Providing ample and easily accessible charging capabilities, such as outlets and USB ports, reduces friction in setting up for the day.

### Collaborative Technology

#### Integrated Conferenece Rooms



– For seamless virtual meetings, all conference rooms should be equipped with videoconferencing capabilities. Integrated rooms will be critical to support a flexible work environment, using state of the art technology including:

- Large screen display(s)
- Peripheral devices (camera, microphone, speaker)

#### Integrated Workplace Mgmt System



Workplace management systems are designed to collect utilization, highlight program metrics and manage space use through reservation tools and wayfinding capabilities. These systems integrate into digital displays:

- Outside meeting rooms to help facilitate efficient meetings
- In neighborhoods, main gathering areas to assist with wayfinding of people and resources.

# Mobile App Best Practices

Technology is a critical component to seamless building operations and experience, particularly an effective mobile application.



### 1. Baseline

Focused on space reservation and access to the building for staff/visitors.

### 2. Elevated

Increased wayfinding abilities for navigating the space and connecting with colleagues. More access to support staff for issues in the space.

### 3. Best-in-Class

Enhanced integration with work/life balance and making the day more seamless.

## Microsoft Teams

Microsoft Teams is an online communication, team collaboration, and workspace tool for real-time collaboration and communication, meeting, and file sharing.

### Key Features:

- Centralized workspace platform for all employees.
- Instant messaging chat with text and file sharing on channels and direct messages.
- Create and use dedicated channels for specific tasks or teams.
- Host and join meetings in Teams with audio, video, and screen sharing.

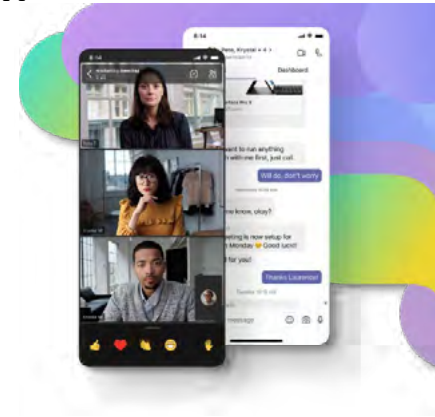
## MEET | COLLABORATE | SHARE | CHAT

### BEST PRACTICES

- Customize your notifications. Make sure you set your notifications to match your preferences on app settings.
- Set your status. Use the status tool to indicate if you're available, busy, or offline at set hours.
- Use reactions. Give the thumbs-up as an equivalent for "got it" or "okay" to save multiple acknowledging responses.
- Familiarize yourself with the channel and app layouts. Organize your page layout to your work priorities such as pinning chat conversations and channels.
- Utilize a Team channel for collaborating on a specific project or activity.

### ADDITIONAL TRAINING

[Teams Features](#) | [Using Microsoft Teams in Outlook](#) | [Creating a Team](#)



# Microsoft Teams Meetings

Microsoft Teams Meetings offer audio conferencing and video conferencing to easily meet and collaborate with team members regardless of physical location.

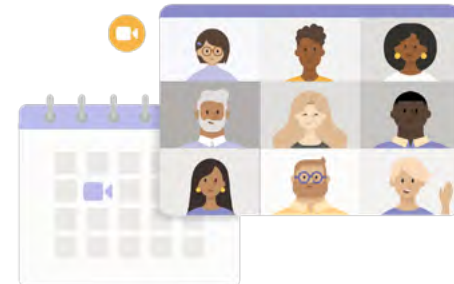
## MEET

### BEST PRACTICES

- All Outlook calendar invites should include a Teams Meeting URL in the subject line and detail of the invite.
- For remote or hybrid meetings, all participants should be on video – if hybrid and multiple people are in the same room, all participants should be viewable from the Teams meeting. For remote participants, utilize Virtual Backgrounds when necessary to minimize distractions.
- Screen sharing should be utilized while discussing files, and Reactions should be utilized for discussion flow like selecting “Raise hand” when looking to interject or add to a discussion.
- For meetings with 10+ participants, turn on Live Captions and utilize Breakout Rooms for group work or smaller deep dives.

### ADDITIONAL TRAINING

[Meetings Overview](#) | [Scheduling a Meeting](#) | [Joining a Meeting in Teams](#) | [Meeting Reactions](#) | [Breakout Rooms](#) | [Live Captions](#)



## Microsoft Teams Channels

Microsoft Teams Channels are subsets of Teams where project teams or working groups can have a space to converse, share files, track tasks or assignments and share information. Channel Tabs allow team members to access services and content in a dedicated space within a channel or in a chat as well as manage data and files that are needed or interacted with frequently.

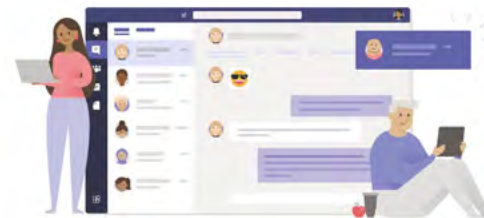
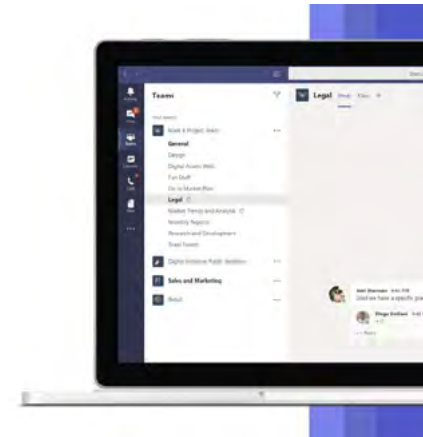
### COLLABORATE | SHARE | CHAT

#### BEST PRACTICES

- All Teams Channels should be set up initially with Posts, Files, Whiteboard and Planner tabs. For teams that frequently utilize the same web pages, the tab Website can be added.
- Teams Channels members should be all teammates in a working group or on a project team. All project-related communication should occur through the Channel Posts tab or be updated in the Channel Posts or Planner tabs following a virtual or in-person meeting.
- For ad hoc project discussions or working sessions, utilize the “Meet” feature within the Channel so that other team members can join if available.

#### ADDITIONAL TRAINING

[Teams Channels](#) | [Creating a Channel](#) | [Adding Tabs](#)  
| [Creating a Channel Poll](#)



# Microsoft Whiteboard

Microsoft Whiteboard is an infinite, collaborative canvas for meetings and learning. Use the tool for various tasks such as collaborating with others and brainstorming.

## Key Features

- Collaborate real-time in an all remote, hybrid, or in-person meeting.
- Work asynchronously with your team at any time with seamless access.

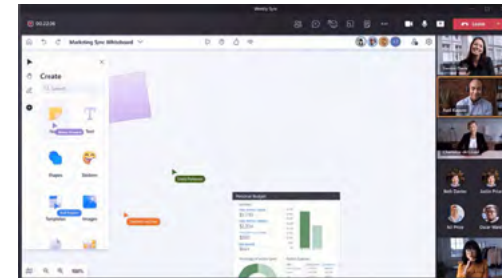
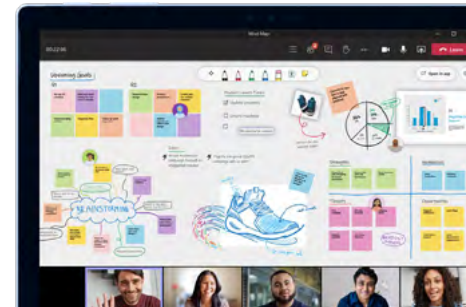
## BRAINSTORM | IDEATE | SHARE VISUALS

### BEST PRACTICES

- Use the toolbox with a variety of shapes, sticky notes, text, ink, and highlighters to visualize content.
- Upload various external mediums like images, word documents, and presentation decks to provide greater context and details.
- Covert writing to legible text. If sharing difficult to read handwriting, consider converting writing into text.
- Export the board as an image for future reference or to send to anyone without granting board access.

### ADDITIONAL TRAINING

[Adding a Whiteboard](#) | [Whiteboard Features](#) | [Managing a Whiteboard](#)





## Microsoft Planner **PLAN | ORGANIZE | MANAGE TASKS**

Microsoft Planner is a simplified task management tool. This platform enables you, your team, and your projects to be organized and visible to all Team members.

### Key Features

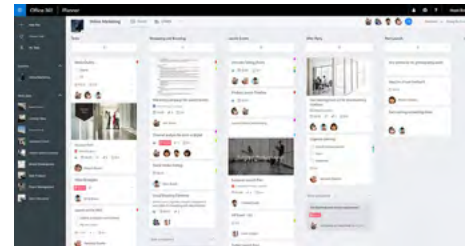
- Create task or project plans, assign tasks, and share files integrated on Microsoft Teams.
- Organize teamwork and collaborate in-real-time on projects.
- Keep track of project progress and access Planner on any device using the Teams platform.

### BEST PRACTICES

- Define the structure of your plan at the beginning of each project plan. Logically organize buckets and task cards.
- Organize each task card. Set task owners, status, check lists, notes, and end dates.
- Attach relevant documents and links to task to give team members quick access to relevant content.
- Use the variety of visualizations and overview to create the view that is most useful for the plan.

### ADDITIONAL TRAINING

[Planner Features](#)



# Scenario Planning



C

## Sharing Ratio Implementation

Three options were developed to calculate sharing ratios to provide options to the level of change for comparison purposes.

The following table provides a granular breakdown of sharing ratio programming details to better compare the options developed.

The headcount capacity of each scenario is calculated by applying the sharing ratio to the seat count. With increased sharing ratios, the number of employees supported increases per seat assuming unassigned seating and hybrid working are implemented.

	CONSERVATIVE	MODERATE	AGGRESSIVE
Typical Expected Demand	3,300	3,300	3,300
Weighted Avg. Sharing Ratio	1 : 1.3	1 : 1.6	1 : 1.8
Seat Count	2,859	2,421	2,105
Average Desk Size	36 sf	30 sf	25 sf

Densified headcounts will fit into owned space assuming a weighted average 1.3 : 1 sharing ratio and typical expected attendance under telework policies

## One Location (Capitol Complex)

- Assumptions:**
- Adopt space standards of 175-200 USF/person
  - Apply weighted average sharing ratio of 1.3:1 across the properties

- Recommended Changes:**
- Sunset major leases and consolidate state agencies to Capitol Campus from leased facilities

Building	Building USF	Current Tenants	Current Headcount	Future Headcount	Future Total USF Demand
Freeman	258,853	MDA MDH	500 734	3,369	188,675 <i>(73% occupied)</i>
Stassen	328,590	DOR	1,500	2,833	94,241 <i>(29% occupied)</i>
Andersen	335,557	DHS MNIT	2,034 1,236	4,345	60,498 <i>(18% occupied)</i>
Transportation	263,211	MnDOT	1,012	1,412	104,411 <i>(40% occupied)</i>
Administration	58,389	Admin Security	504 85	1,102	37,904 <i>(65% occupied)</i>

Programming details are based on conservative sharing ratio and calculated “typical” expected attendance

## Potential for Sharing in Minnesota

The following cities are proposed locations for auxiliary hoteling offices outside of the Minneapolis-St. Paul metro area. These locations were selected by identifying cities with the highest concentration of State of Minnesota employees as well as cities with a high concentration of existing leases. We recommend reducing the number of leased locations to one per City/area, which can be used on an as needed basis by staff.

*Note: Hoteling model not limited to these 4 locations. "Spokes" could be added within the metro area and other greater Minnesota locations on a smaller scale.*

### Rochester

- SoMN Employees: 675
- Current # of Leases: 1
- Current SF: 41,169

### St. Cloud

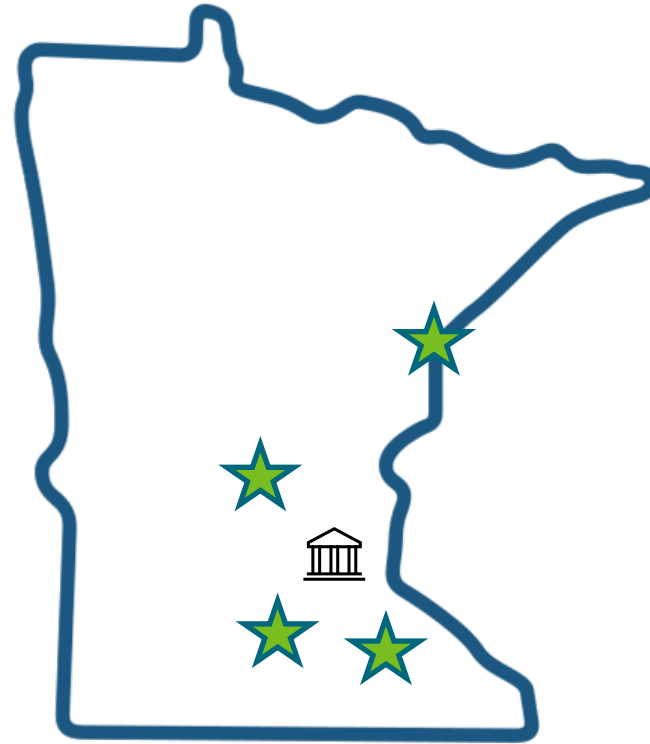
- SoMN Employees: 935
- Current # of Leases: 15
- Current SF: 79,634 SF

### Duluth

- SoMN Employees: 689
- Current # of Leases: 25
- Current SF: 74,629 SF

### Mankato

- SoMN Employees: 450
- Current # of Leases: 17
- Current SF: 46,509 SF



4

Portfolio Analysis

---

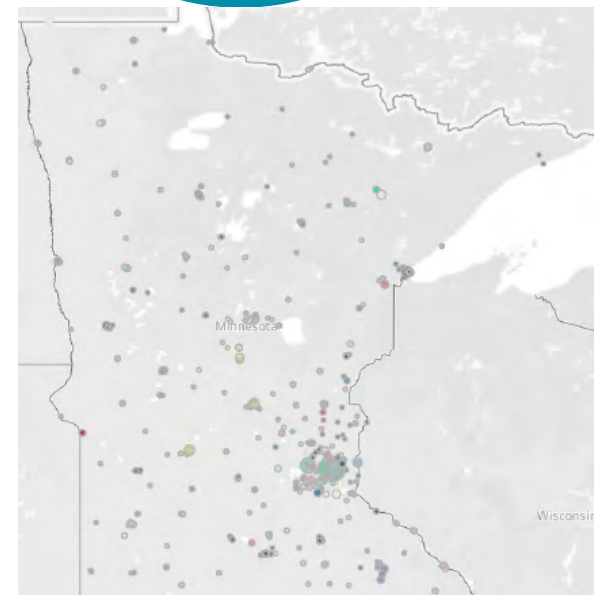
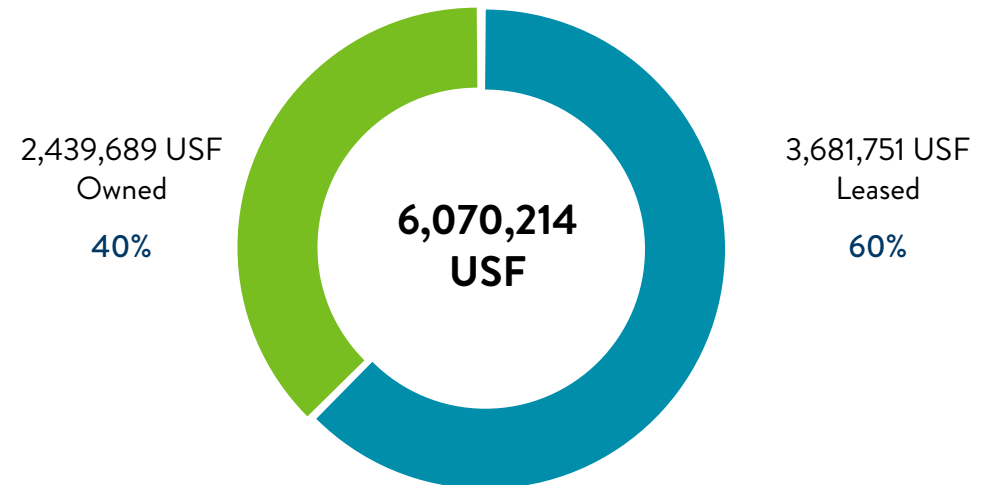
# Portfolio Analysis

## Existing Locations & Leases

This information was uploaded into CBRE's Vantage Analytics system to provide the analysis on the following pages.

Leased Portfolio		
# of Properties	# of Leases with Landlords	Total Usable SF
533	661	3,681,751
Owned Portfolio		
# of Properties	# of Leases with Agencies	Total Usable SF
49	97	2,439,689
TOTAL		
# of Properties	# of Leases	Total Usable SF
<b>582</b>	<b>758</b>	<b>6,121,440</b>

Portfolio by Usable Square Feet





# Existing Locations & Leases

Using CBRE's Vantage Analytics Platform, the team analyzed the State's leased portfolio state-wide, identifying several trends and areas for attention:

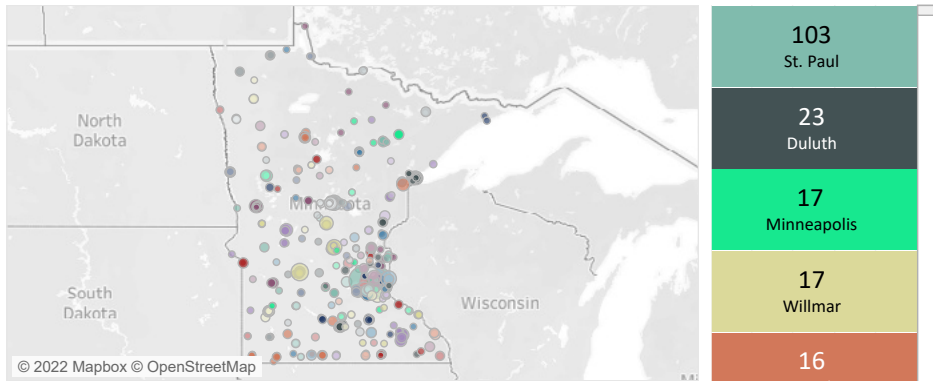
## Portfolio Summary



<b>533</b> Locations	<b>661</b> Agreements	<b>628</b> Leased	<b>33</b> Subleased	<b>3,681,751 SF</b> Area	<b>\$85,396,709</b> Annual Rent	<b>11.0 years</b> Avg Agreement	<b>1.8 years</b> Avg Time To Expiry
-------------------------	--------------------------	----------------------	------------------------	-----------------------------	------------------------------------	------------------------------------	--

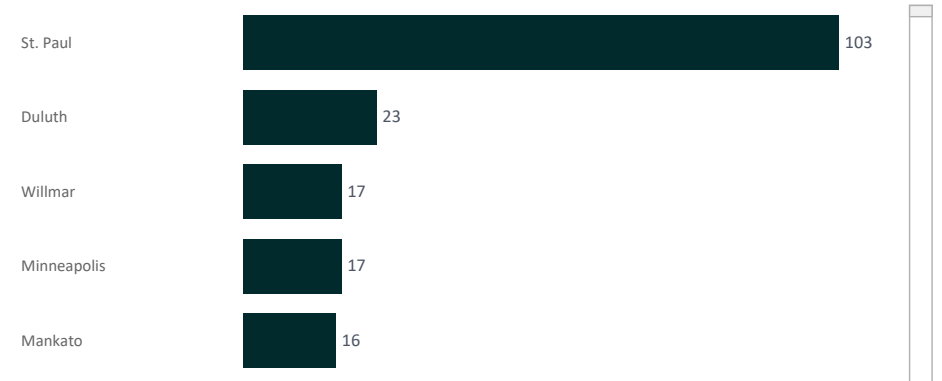
### Summary Metric

#### Agreements

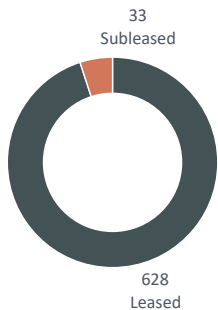


### Agreements by

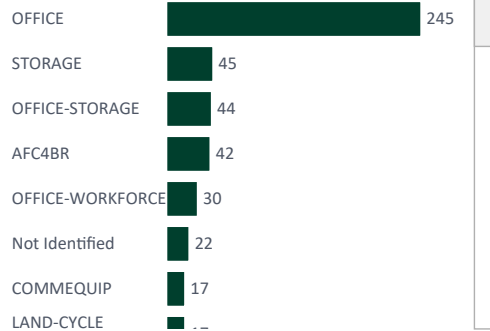
#### City



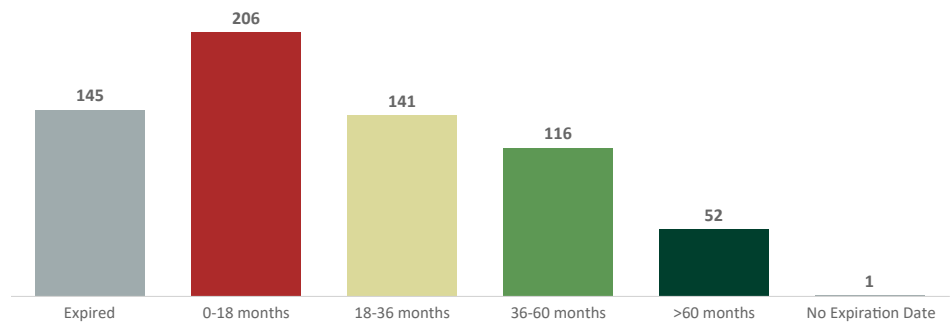
### Agreements by Ownership



### Agreements by Property Type



### Lease Expirations

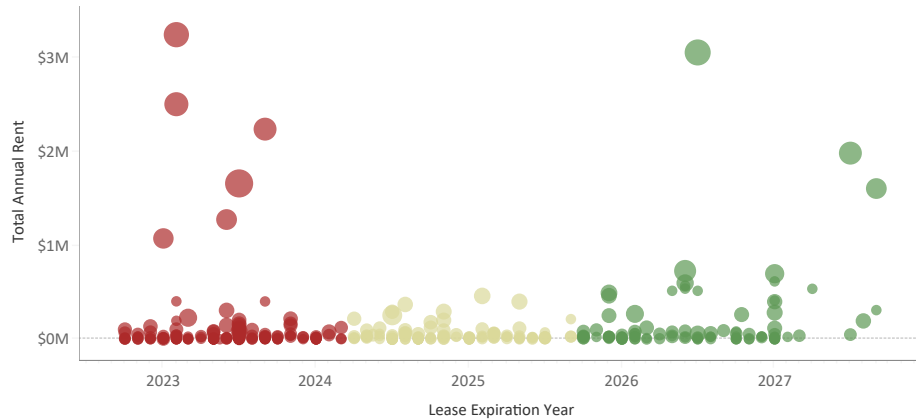


# Existing Locations & Leases

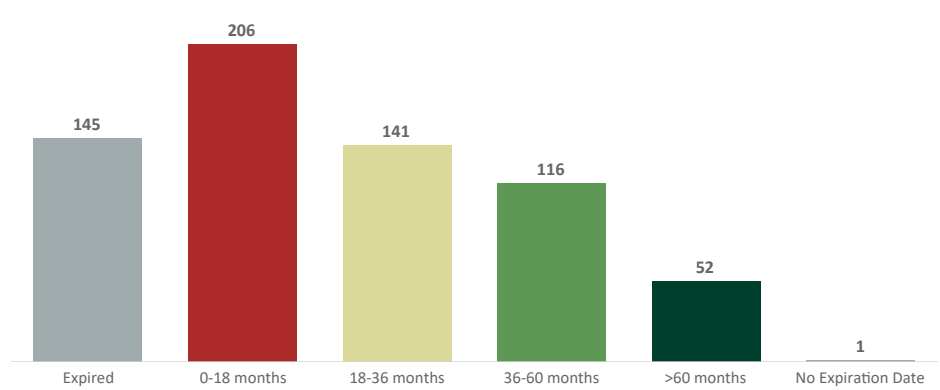
## Expiration Overview



Approaching Termination Date Impact

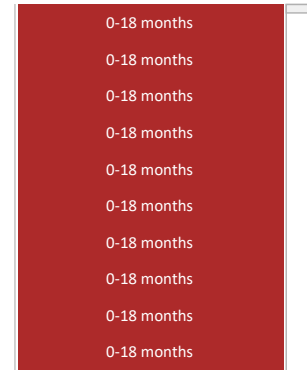


Lease Expirations



## Sample Lease Expiration Detail

Lease Name	Country	City	Total Annual Rent	Rentable SF	Lease Expiration	Months to Expiration
282 S State St Ste 180	United States	Fairmont	\$14,256	891 SF	09/30/2022	0
1830 Airport Rd	United States	Staples	\$6,600	1,500 SF	09/30/2022	0
355 8Th St E	United States	St. Paul	\$106,480	8,000 SF	09/30/2022	0
3333 Division St W	United States	St. Cloud	\$70,730	3,215 SF	09/30/2022	0
26505 County Road 2	United States	Staples	\$5,947	574 SF	09/30/2022	0
31167 Big Stone Lake Park Road	United States	Clinton	Null	Null	09/30/2022	0
607 W 1St St	United States	Park Rapids	Null	Null	09/30/2022	0
Sportsmen'S Dock, Rainy Lake	United States	Intl. Falls	\$300	Null	09/30/2022	0
An Area Of Maple Avenue	United States	Ortonville	Null	Null	09/30/2022	0
4342 Knotting Hill Ln Nw	United States	Rochester	\$31,200	Null	10/31/2022	2



# Existing Locations & Leases

## Rent Gap Summary



<p><b>\$610,511</b></p> <p>Total Potential Savings 29 Leases Above Market</p>	<p><b>\$775,696</b></p> <p>Total Potential Risk 73 Leases Below Market</p>	<p><b>-7.54%</b></p> <p>Overall Rent Variance</p>
---	--	---

<p><b>441</b></p> <p>Total Leases</p>	<p><b>102 (23%)</b></p> <p>Included</p>	<p><b>339 (77%)</b></p> <p>Excluded</p>
---------------------------------------	---	---

**Benchmark Availability**

All

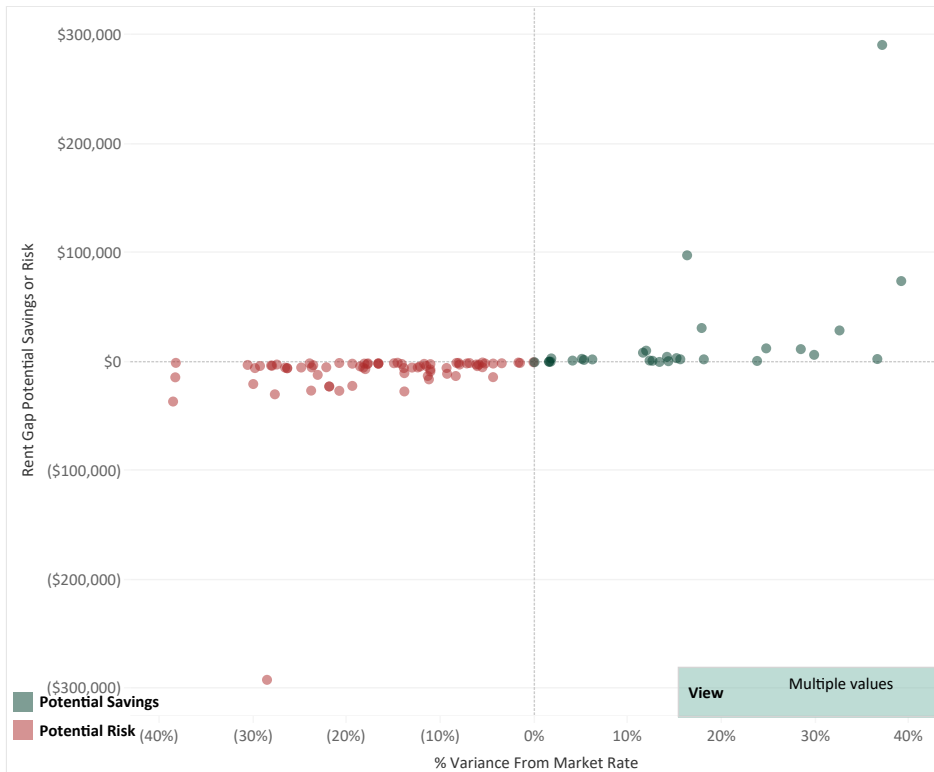
Beyond Expiration Timeframe **Years 5**

Filter Out

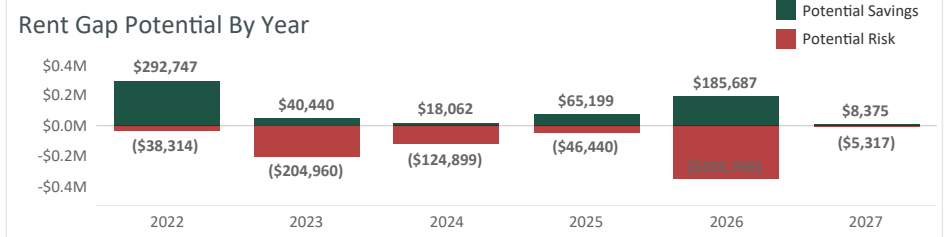
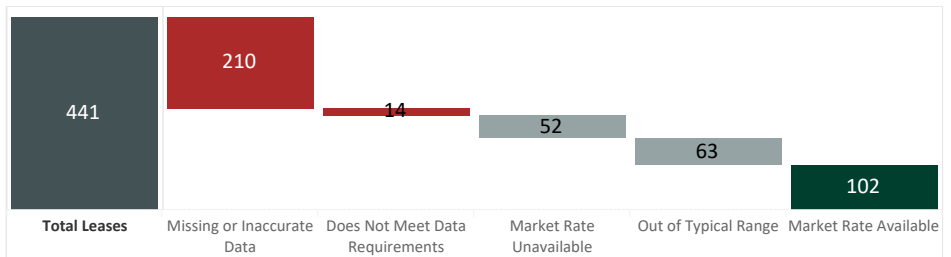
Expiration Date Passed

Filter Out

Rent Gap Distribution and Potential Savings/Risk



Exclusion Details



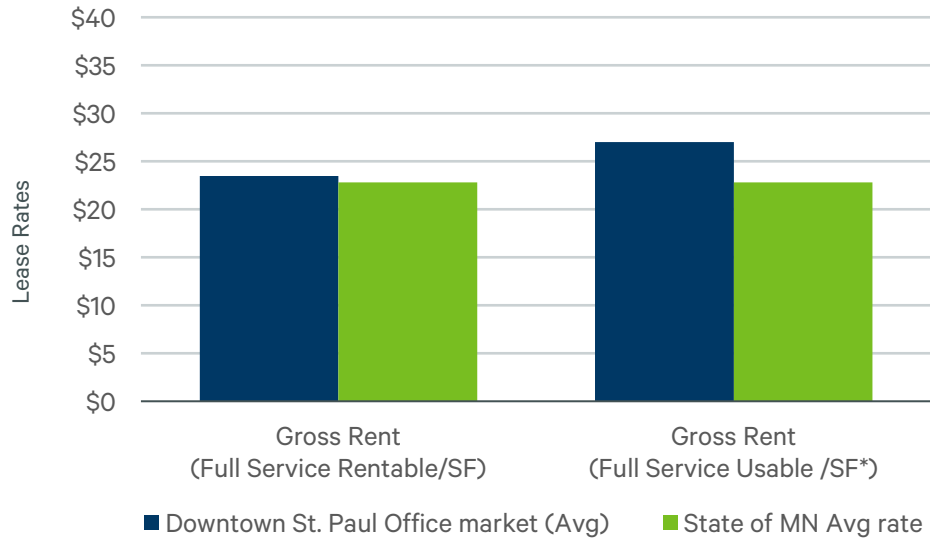
## Current Lease Costs & Market Trends - Markets with > ±50,000 SF Occupancy

At the request of RECS, CBRE analyzed current lease costs and market trends in markets with over ±50,000 sq.ft. of State occupied space statewide and completed a comparative analysis with existing leases, summarized below and in the following charts.

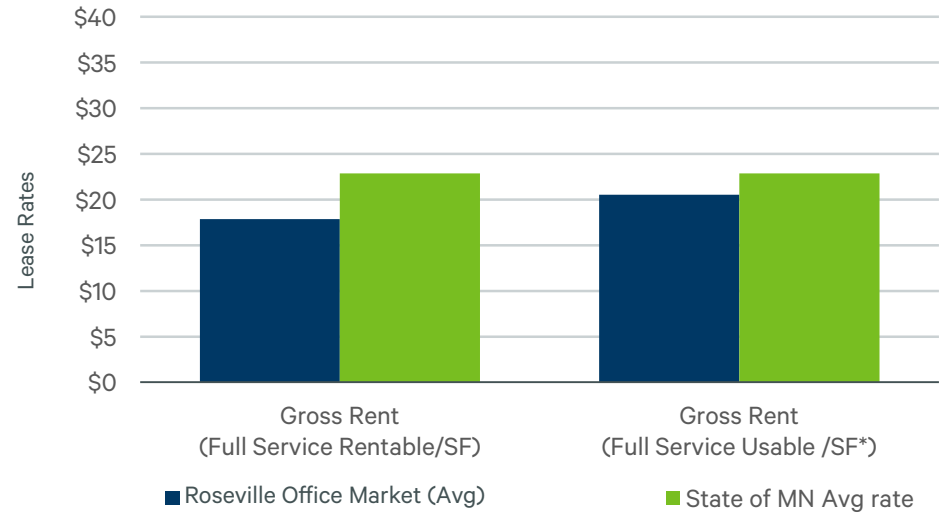
	Market (average rates)	Gross Rent (Full Service Rentable/SF)	Gross Rent (Full Service Usable /SF*)	Term Length (years)	Improvement Allowance per annual rent/usable SF (***)	Comments
1	Downtown St. Paul	\$23.47	\$26.99	3-10	\$3-6 for new leases	Includes Lafayette Park area. Downtown parking rents are usually extra. Market annual escalation: 1.03%/yr on the net rents
	State of MN: 2,109,500 USF	\$22.80	\$22.80	7	\$0 to \$6 for new and renewal	Escalations: 1.02% to 1.03%/yr on the gross rents
2	Roseville	\$17.85	\$20.53	3-10	\$3-6 for new leases	Market annual escalations \$0.25/sf/yr net to 3%/yr on net rents
	State of MN: 332,895 USF	\$22.85	\$22.85	6	\$0 to \$7 for new and renewals	Escalations: zero to 3% on gross rents
3	Downtown Minneapolis	\$31.45	\$36.17	3-10	\$4-\$8 for new leases	Market annual escalations 2.5%/yr to 3%/yr on net rents
	State of MN: 37,158 USF	\$23.25	\$23.25	10	\$0 to \$7 for new and renewal	Escalations: 1.02%/yr to 1.025%/yr on gross rents
4	St. Cloud Area	\$22.48	\$22.48	10	\$0 - \$3 for new leases	Includes Sartell, Sauk Rapids, and Waite Park. Market annual escalations: 2%/yr to 3%/yr on net rents.
	State of MN: 79,634 USF	\$17.50	\$17.50	4	\$0 to turnkey for new and renewal	Escalations: flat to 1.02% per year on gross rents
5	Rochester Area	\$20.96	\$20.96	3-10	\$2-\$4 for new leases	Annual escalations: 1.03%/yr on net rents.
	State of MN: 41,169 USF	\$21.27	\$21.27	6	\$0 to turnkey for new and renewal	Escalations: 1.03% to 1.035% per year on gross rents
6	Duluth Area	\$22.83	\$22.83	3-10	\$2 -\$4 for new leases	Includes Hermantown. Annual escalations 1.025% to 1.035% per year on net rents.
	State of MN: 74,629 USF	\$21.36	\$21.36	5	\$0 to turnkey for new and renewal	Escalations: flat to 1.02% per year on gross rents.
7	Mankato Area	\$13.32	\$13.32	3-10	\$2 -\$4 for new leases	Includes North Mankato. Escalations are \$0.25/sf/yr to \$0.50/sf/ year on net rent
	State of MN: 46,509 SF	\$16.50	\$16.50	6	\$0 to turnkey for new and renewal	Escalations: flat to \$0.50/sf/yr on the gross rents.

# Current Lease Costs & Market Trends - Markets with > ±50,000 SF Occupancy

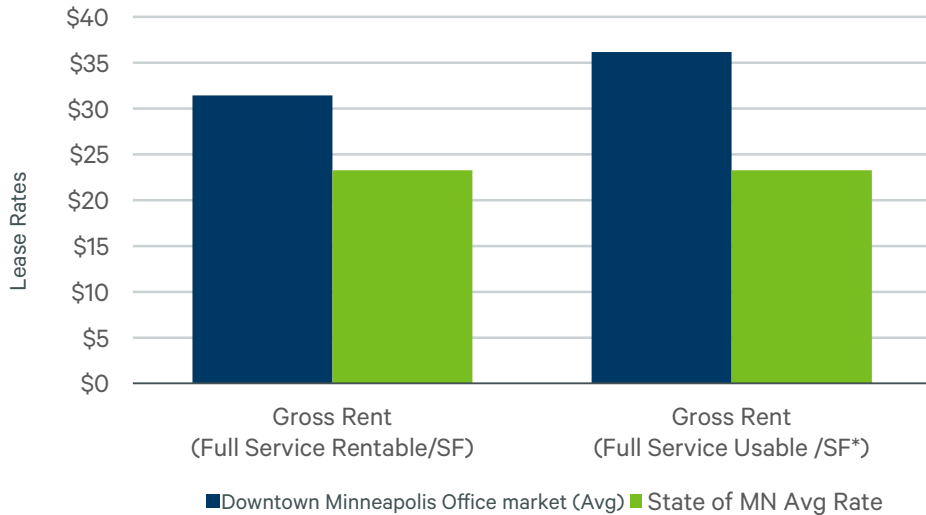
Downtown St Paul



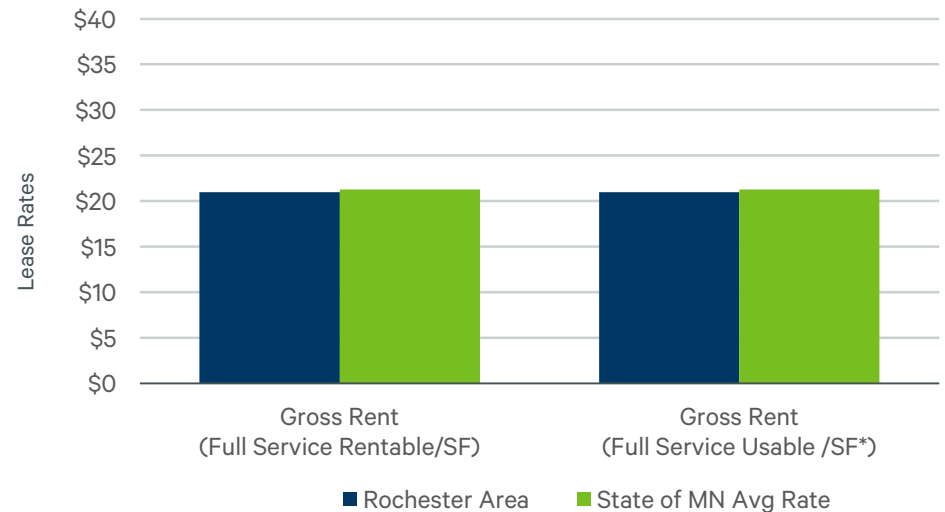
Roseville



Downtown Minneapolis

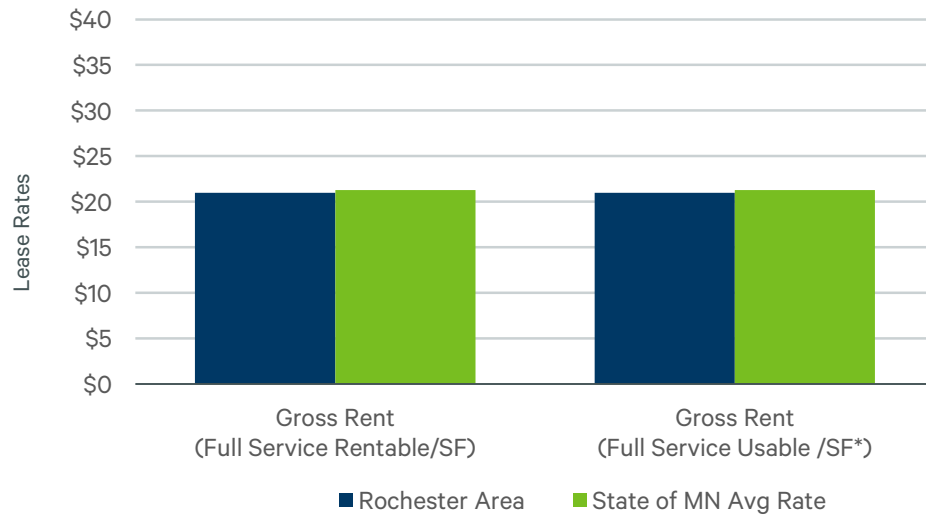


St Cloud

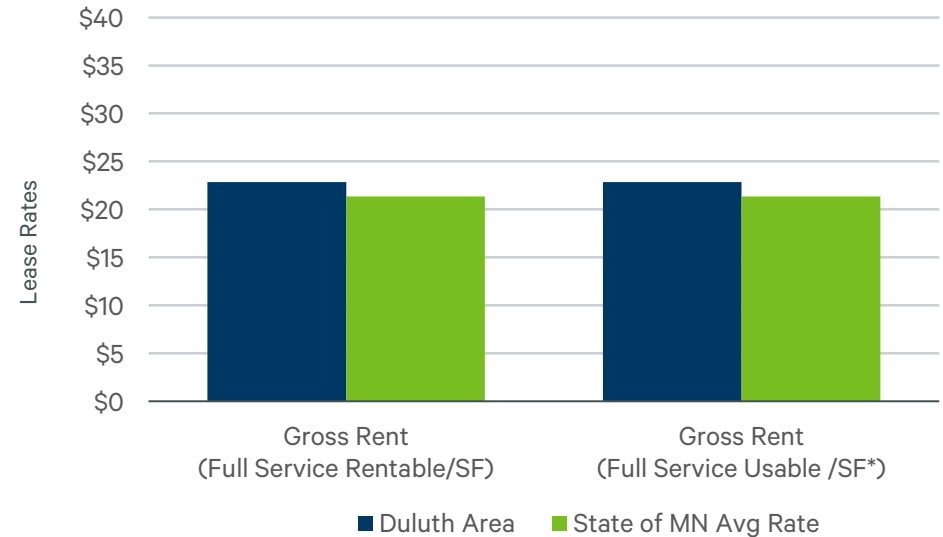


## Current Lease Costs & Market Trends - Markets with > ±50,000 SF Occupancy

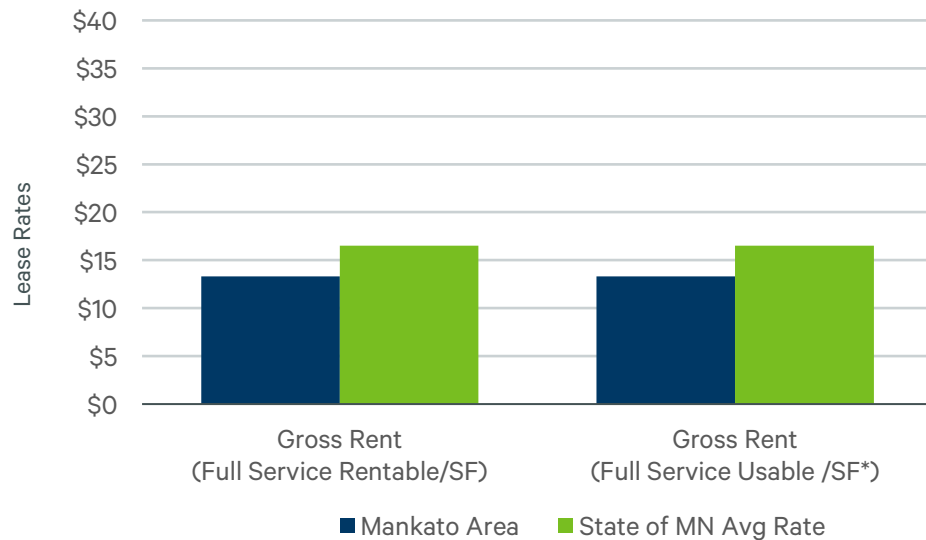
### Rochester



### Duluth



### Mankato



### NOTES:

\* \$23.47/rsf x 1.15 market standard common area factor = \$26.99. Note some landlords will overlook the rentable vs. usable difference and not raise rates.

\*\* Term length varies based on a new lease versus a renewal, or an expansion, or the user requirement.

\*\*\* Landlord provided improvement allowance within the lease rates are a function of if it is a new lease vs a renewal or an expansion, and the length of term. Class A, B, and C lease rates are available quarterly and published by CBRE. The above are 3rd quarter 2021 stats. MNCAR.ORG also publishes quarterly rental rates. Full service includes in suite utilities and in suite and common area janitorial, real estate taxes, repairs/maintenance, security, landscaping. In some instances, Tenant (DOC and DHS) elect to do their own janitorial although those are generally in smaller offices. Some landlords are challenged by the State of MN statute required termination rights

There is no provision to capture free rent, moving allowances or improvements over and above the TIA. In addition, if improvements are amortized over and above the rent there is no provision to record that.

There is also no provision to capture additional items provided in the rent that Landlord would typically charge for. For example, if the building has a conference center that tenants are generally charged for, and the State of MN may have negotiated the use without charge

## Current Lease Costs & Market Trends - Markets with > ±50,000 SF Occupancy

### Rent and business terms comparisons:

CBRE reviewed the 50 plus larger leases in St. Paul, and the top four leases in the other six submarkets, while comparing that data to Costar, CBRE Research, Vantage, and general market knowledge. We did not take into account the parking costs in our comparison as suburban options typically do not charge for parking. The leases reviewed primarily were office leases, some with a storage or garage component. Warehouse and storage leases were not included in the analysis.

Because most State leases are turnkey in nature, the improvement allowance are not stated with a dollar value in the lease form. Our analysis found only one State lease with free rent, where that is common in office rentals. Putting a value on the State's right to cancel is not an exact science since it could range greatly by landlord and the business terms.

Our analysis found that the State generally negotiates more favorable terms than market transactions. Those terms include operating expense caps, cancel rights, improvement allowances, use of their own lease form, special HVAC provisions, Furniture, Fixtures and Equipment allowances, rent expense on a usable square foot basis, leverage to obtain base building repairs, turnkey improvements versus allowance caps, reduced parking rents, reduced storage rents, timing of rent payments (end of the month) etc.

At first glance the State's escalations are at market however it should be noted that the State's fixed increases are applied to net rents plus tax/CAM and operating expenses while market applies fixed increases to net rent only.

The improvement allowances are at market however most private tenants have caps and generally are not turnkey. The lease terms of 1-10 years is within market, however we anticipate landlords requesting shorter terms due to the increase of inflation.

Areas where the State could improve rent and business terms within is leased portfolio:

- Longer renewal terms
- Escalations applied only to net rent
- Lease in single story suburban buildings where rents and parking costs are typically lower
- Combine offices in areas to get a higher USF
- Explore speculative space options that have FFE included with shorter terms
- Seek suites that have turnkey existing improvements to keep such costs down thereby lowering overall rent. This strategy can be applied to renewals.
- Seek energy efficient spaces

The State has some leases that it cannot improve on because of:

- Its use needs to be in a retail setting
- Its use needs to have a storage component, an indoor parking component, or a non-standard special use (ie: health related or work force center)
- It has to lease in cities where there are fewer options
- A need for swing space for renewal remodeling
- Need to remodel spaces or upgrade spaces to attract workers etc.



# Additional indicators by market

## St Paul



### Portfolio Summary

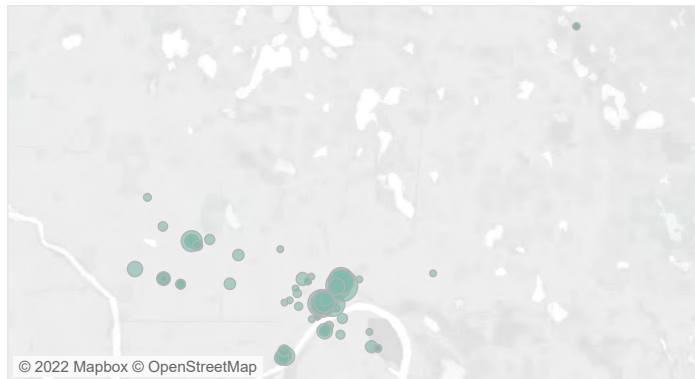
<b>50</b> Locations	<b>103</b> Agreements	<b>98</b> Leased	<b>5</b> Subleased	<b>2,109,500 SF</b> Area	<b>\$49,181,314</b> Annual Rent	<b>11.0 years</b> Avg Agreement	<b>3.3 years</b> Avg Time To Expiry
------------------------	--------------------------	---------------------	-----------------------	-----------------------------	------------------------------------	------------------------------------	--

Summary Metric

Agreements

Agreements by

City

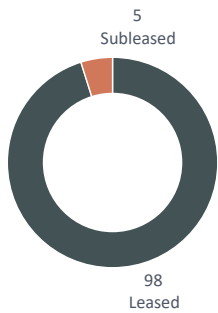


**103**  
St. Paul

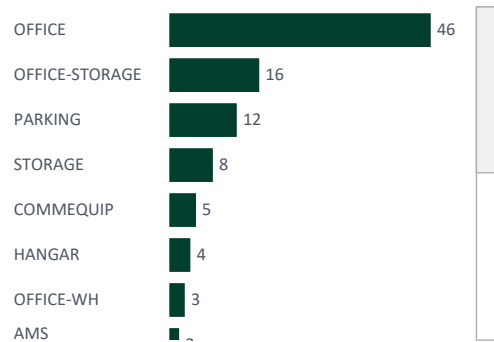
St. Paul

103

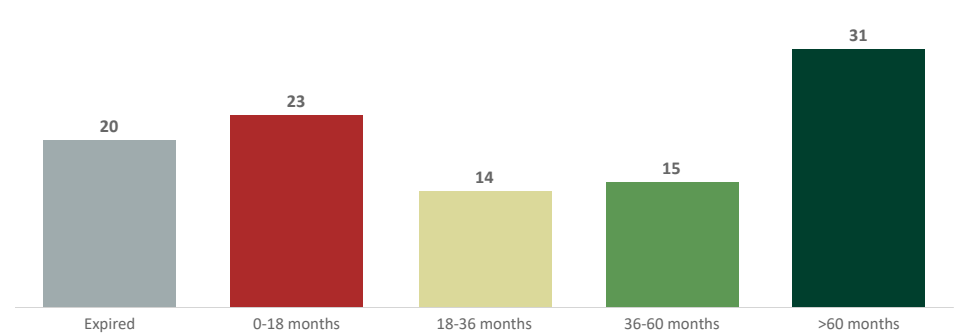
Agreements by Ownership



Agreements by Property Type



Lease Expirations



# Roseville

## Portfolio Summary

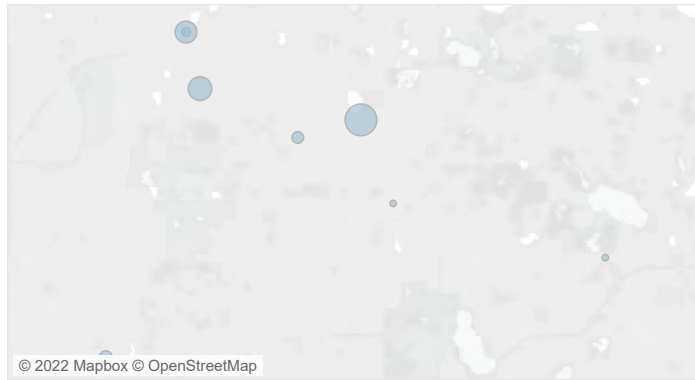
<b>7</b> Locations	<b>8</b> Agreements	<b>7</b> Leased	<b>1</b> Subleased	<b>332,895 SF</b> Area	<b>\$6,413,208</b> Annual Rent	<b>14.8 years</b> Avg Agreement	<b>1.7 years</b> Avg Time To Expiry
-----------------------	------------------------	--------------------	-----------------------	---------------------------	-----------------------------------	------------------------------------	--

Summary Metric

Agreements

Agreements by

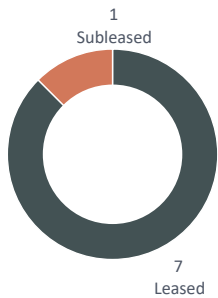
City



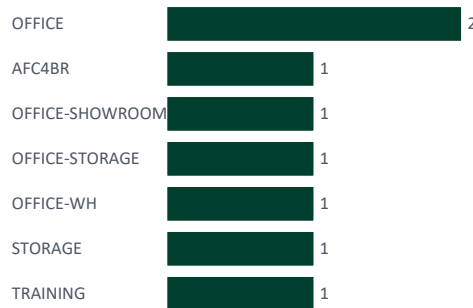
Roseville



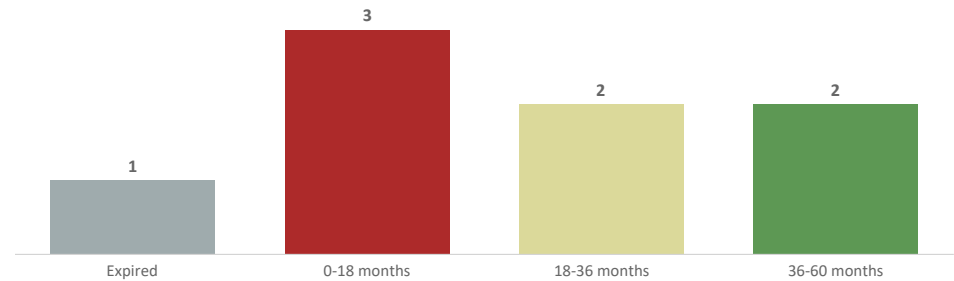
Agreements by Ownership



Agreements by Property Type



Lease Expirations



# Downtown Minneapolis

## Portfolio Summary

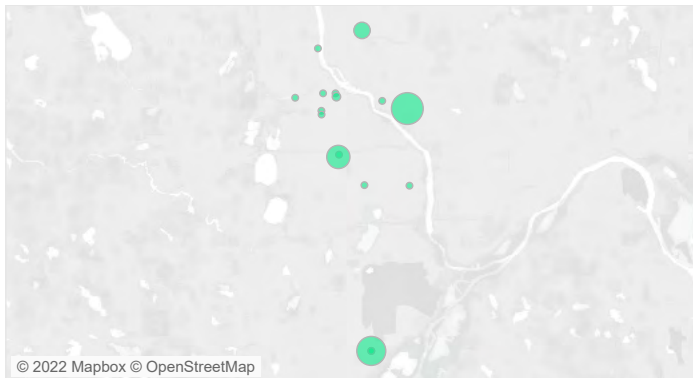
<b>15</b> Locations	<b>17</b> Agreements	<b>12</b> Leased	<b>5</b> Subleased	<b>37,158 SF</b> Area	<b>\$3,381,057</b> Annual Rent	<b>7.8 years</b> Avg Agreement	<b>1.7 years</b> Avg Time To Expiry
------------------------	-------------------------	---------------------	-----------------------	--------------------------	-----------------------------------	-----------------------------------	--

Summary Metric

Agreements

Agreements by

City

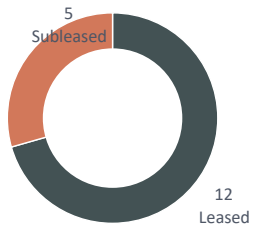


**17**  
Minneapolis

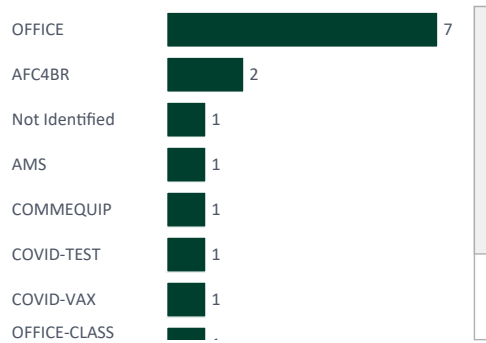
Minneapolis



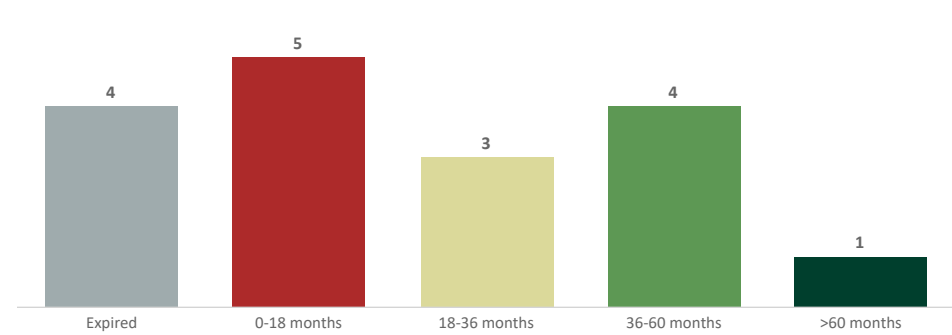
Agreements by Ownership



Agreements by Property Type



Lease Expirations



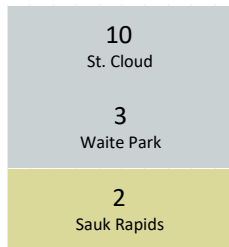
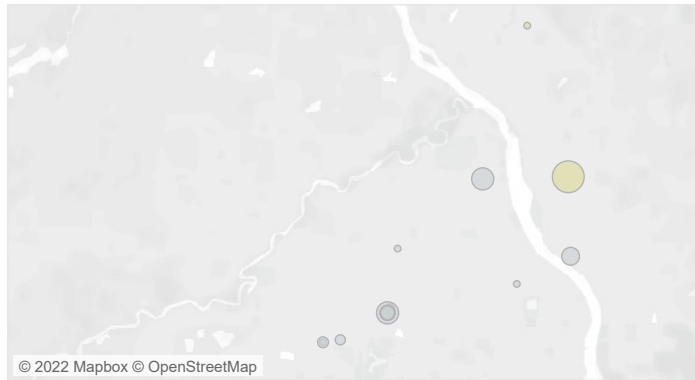
# St Cloud

## Portfolio Summary

<b>11</b> Locations	<b>15</b> Agreements	<b>15</b> Leased	<b>79,634 SF</b> Area	<b>\$1,151,099</b> Annual Rent	<b>9.2 years</b> Avg Agreement	<b>1.5 years</b> Avg Time To Expiry
------------------------	-------------------------	---------------------	--------------------------	-----------------------------------	-----------------------------------	--

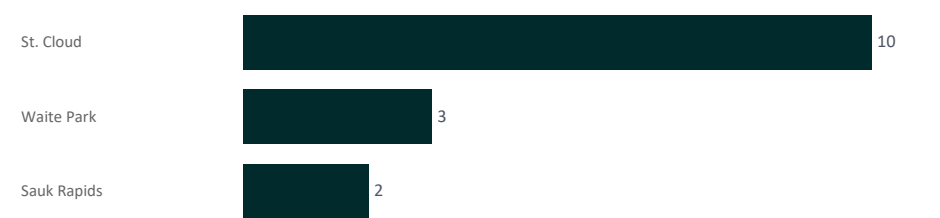
Summary Metric

Agreements



Agreements by

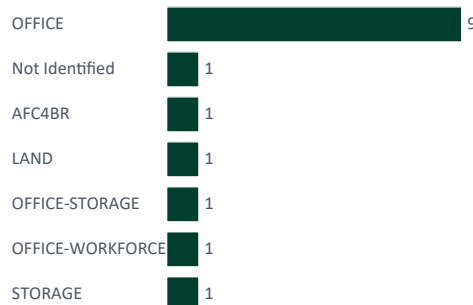
City



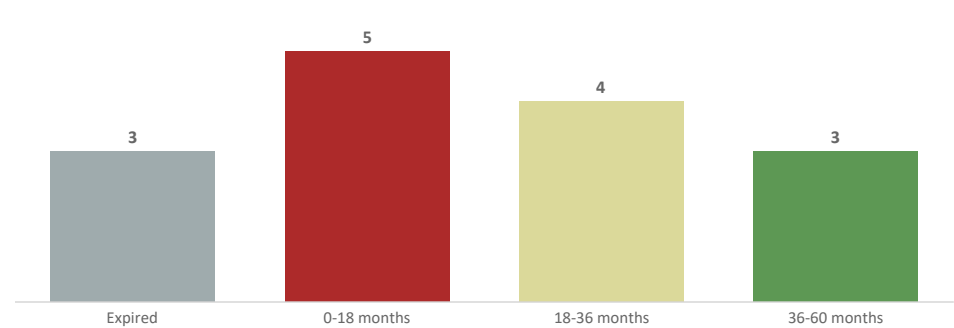
Agreements by Ownership



Agreements by Property Type



Lease Expirations

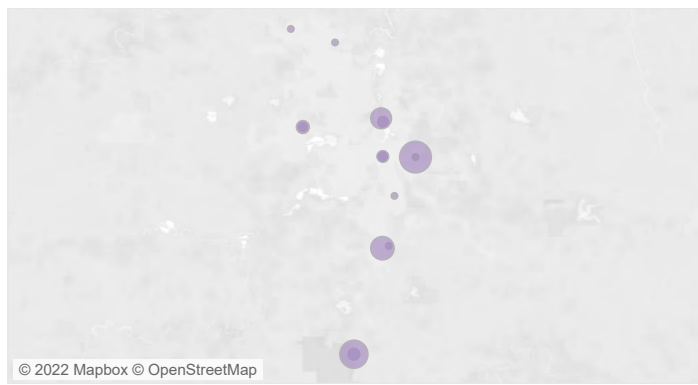


# Rochester

## Portfolio Summary

<b>11</b> Locations	<b>15</b> Agreements	<b>15</b> Leased	<b>41,169 SF</b> Area	<b>\$1,608,411</b> Annual Rent	<b>10.3 years</b> Avg Agreement	<b>2.2 years</b> Avg Time To Expiry
------------------------	-------------------------	---------------------	--------------------------	-----------------------------------	------------------------------------	--

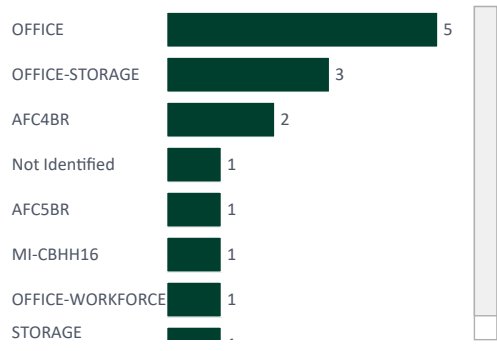
Summary Metric	Agreements	Agreements by	City
		Rochester	15



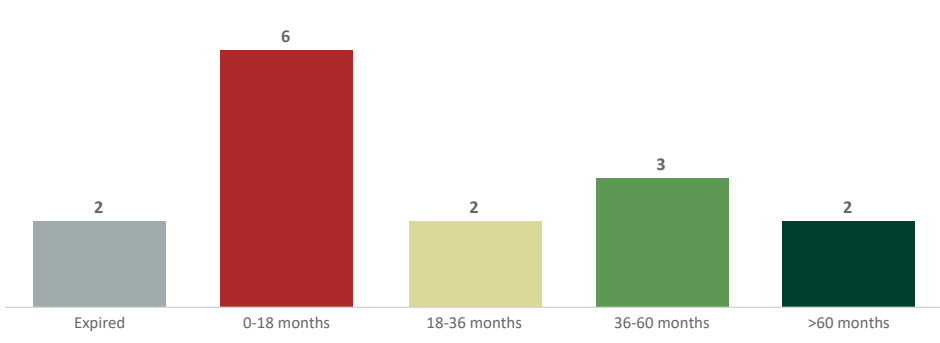
Agreements by Ownership



Agreements by Property Type



Lease Expirations



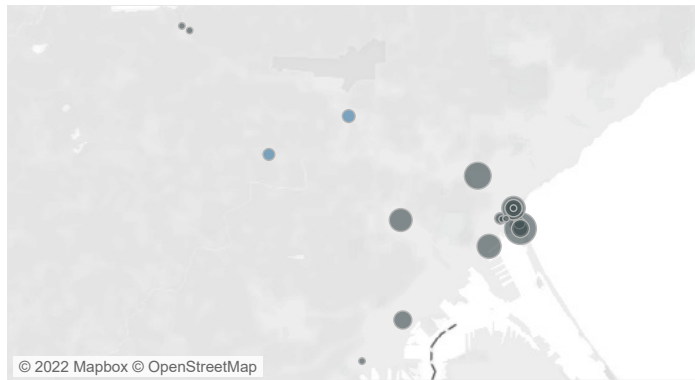
# Duluth

## Portfolio Summary

<b>19</b> Locations	<b>25</b> Agreements	<b>25</b> Leased	<b>74,629 SF</b> Area	<b>\$1,979,165</b> Annual Rent	<b>9.9 years</b> Avg Agreement	<b>1.2 years</b> Avg Time To Expiry
------------------------	-------------------------	---------------------	--------------------------	-----------------------------------	-----------------------------------	--

Summary Metric

Agreements



<b>23</b> Duluth
<b>2</b> Hermantown

Agreements by

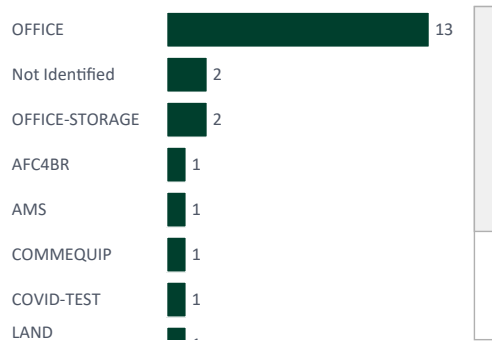
City



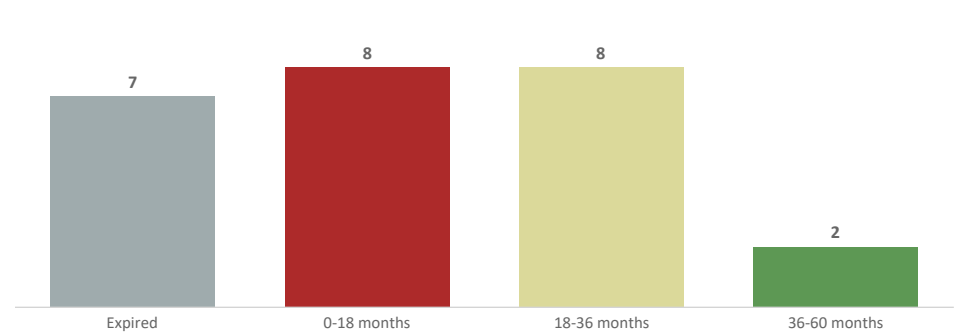
Agreements by Ownership



Agreements by Property Type



Lease Expirations

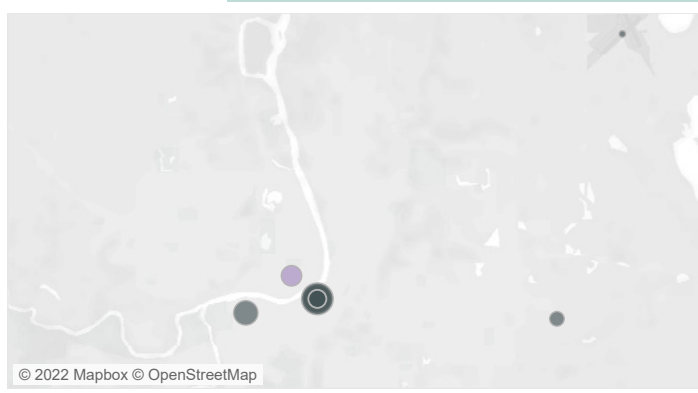


# Mankato

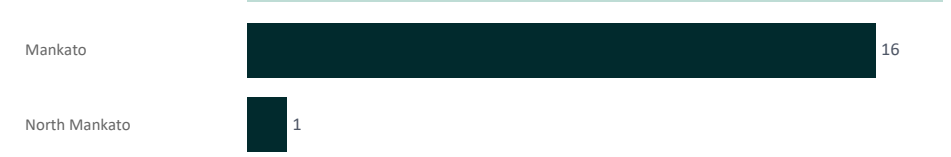
## Portfolio Summary

<b>6</b> Locations	<b>17</b> Agreements	<b>16</b> Leased	<b>1</b> Subleased	<b>46,509 SF</b> Area	<b>\$762,767</b> Annual Rent	<b>10.9 years</b> Avg Agreement	<b>1.4 years</b> Avg Time To Expiry
-----------------------	-------------------------	---------------------	-----------------------	--------------------------	---------------------------------	------------------------------------	--

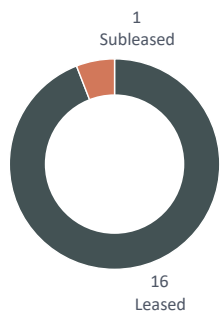
Summary Metric	Agreements	Agreements by	City
----------------	------------	---------------	------



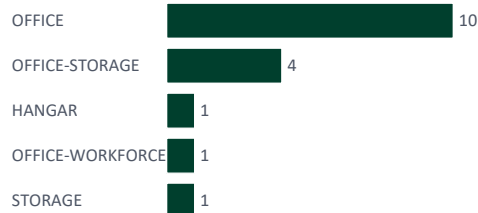
<b>16</b> Mankato
<b>1</b> North Mankato



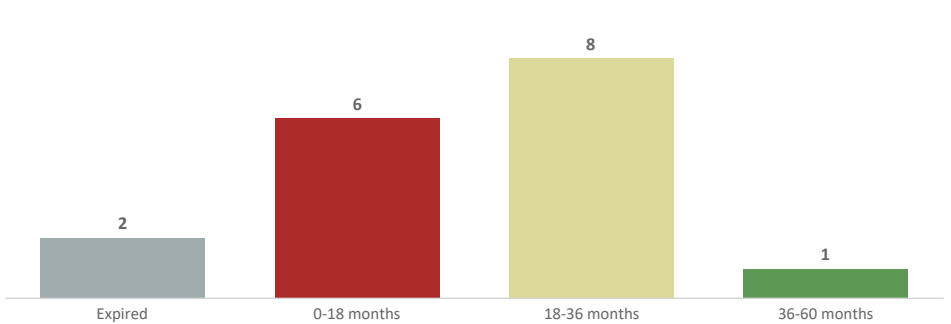
Agreements by Ownership



Agreements by Property Type



Lease Expirations





## Current Operating Cost Benchmarks for Comparable Private and Public Sector Facilities

It is CBRE's observation that operating expenses per building incurred by the State are in line with the market, if not lower. Some of these below-market trends are due to the fact that the State does not pay real estate taxes on its owned assets, unlike private owners. When real estate taxes are removed from the private sector owned asset data, the State's operating costs are higher than market. This is in part attributable to the nature of the State's portfolio; the majority of the buildings are mid-century design and construction and are not designed to modern sustainability and efficiency standards. In addition, certain costs are required to be covered in the State's operating costs that are not included in private sector leases. As a result, potential cost savings from the elimination of real estate taxes are offset by higher operating costs associated with these features of the buildings. Ongoing diligent management of deferred maintenance will enable the State to continue to perform competitively against the private sector market on the operating costs metric.

Subject	Six State-owned buildings in St. Paul	St. Paul Downtown per BOMA	St. Paul Downtown per CBRE	Downtown Minneapolis per CBRE	Minnesota per MNCAR Report	Midwest per CBRE
Source	State of MN	BOMA: Building Owners and Managers Association	CBRE Research Q2/2022 data for Class A Office Space	CBRE Research - Q2/2022 data for Class A Office Space	Minnesota Commercial Real Estate Association	CBRE Global Workplace Strategies and Facilities Management internal benchmark data
Operating Exp./RSF	\$12.96	\$8.41	\$8.16	\$9.09	\$10.96- \$15.23 Avg: \$12.85 incl. taxes	\$4.83 to \$12.96 Avg: \$7.42
Taxes/RSF	NIC	\$5.00-7.00	\$5.00-7.00	\$6.72	\$2.25-\$4.93 Avg: \$3.34	\$5.00-7.00
In suite utilities/RSF	Incl (\$2.72 avg)	Included	Included	\$2.00-3.00	Included	Included
In suite cleaning/RSF	Included	Included	Included	\$1.50-\$2.25	Included	\$1.44 to \$2.54 Avg: \$2.11
Repairs & Maintenance & Leasehold/RSF	Incl (\$.48 R&M + \$1.82 Maint & Leasehold)	Included	Included	\$.61 - \$1.79	Included	\$1.64 to \$3.54 Avg: \$1.96
HVAC RRM	Included	Included	Included	Included	Included	Included
Other	Included	Included	Included	Included	Included	Included
<b>Total/RSF</b>	\$12.96 (\$23.5M on 1.8M RSF)	\$13.41 Class A \$10.95 class B	\$13.16 Class A \$9.71 Class B	\$15.80 (\$9.09 OpEx+\$6.72 tax)	Avg. Class A \$12.85 including taxes	\$14.47 (\$7 taxes + \$7.42 opex)

## Current Operating Cost Benchmarks for Comparable Private and Public Sector Facilities

### Notes/observations:

1. Maintenance and Leasehold: These are combined in State data. Market typically would not include leasehold improvements in their OpEx data. Leasehold would be similar to tenant leasing transaction costs in the private market. Landlords self-fund these expenses. However, maintenance expenses are passed through to tenants in the private market.

Because the large Capitol Complex buildings are generally built with materials that are an upgrade (marble) to market, are landmark facilities, and are a tribute to the State, they generally incur greater maintenance and upkeep costs. Landlords typically carry a capital reserve account for major non-reimbursable expenses such as tenant improvements, commissions, vacancy carry, and improvements to the building that are carved out of the expense clause in the tenant lease.

2. Insurance: Assume that the State can self-insure for less than private insurance costs. Note tenants typically have their own general liability insurance as well.

3. Management fees: Typical private management fees are a percentage of the gross revenue of the building. The State self manages. In the private market this can be a profit center for the landlord and manager.

4. BOMA: St. Paul Downtown BOMA 2022 report is coming out in October. Expecting tax/cam/ops to be slightly higher in 2022 than 2021 for full service for Class A averages. The high water mark for such expenses is Wells Fargo Place at \$15.08/RSF followed by Osborn 370 at \$15.05/RSF and Infor Commons at \$14.91/RSF. Buildings can vary widely depending on size of campus, parking facilities, common areas sizes, age, energy efficiency, etc.

5. Gross Building Area: Very likely the State of Minnesota Capitol campus buildings have greater common area than the private sector. Thus the State is carrying the cost of more common area on its expenses.

6. Economies of scale: Since the State has a large portfolio, it can enjoy lower overall operating costs that can be spread over a greater square footage.

7. Voice Data: Typically voice data is a tenant expense and not a Landlord expense passed on to tenants.

## Benchmarking to Other State Portfolios

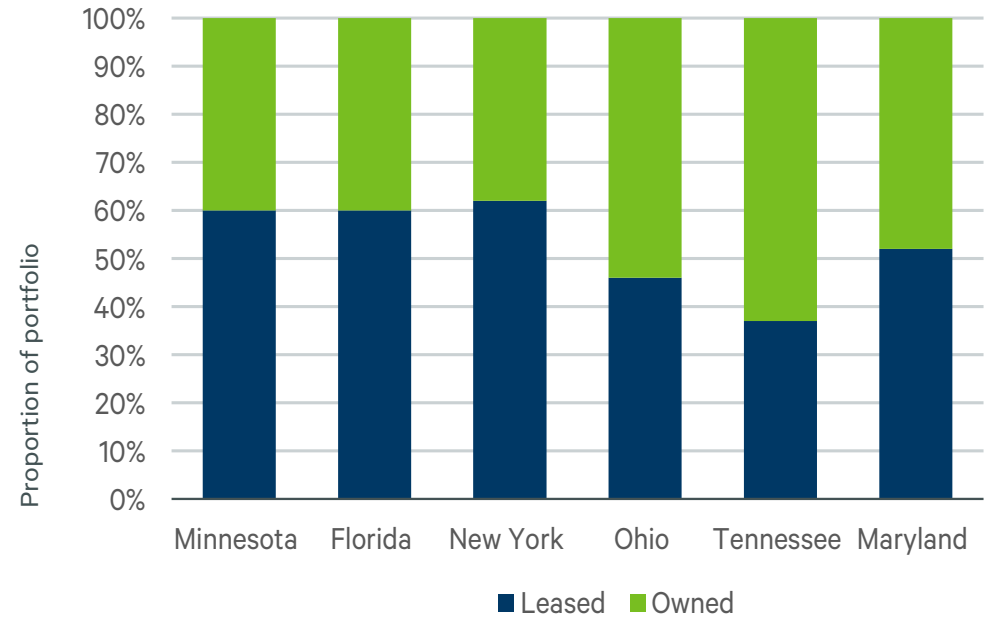
Minnesota's owned and leased portfolio ratio is approximately 60% leased, 40% owned, which compares favorably to several other peer states across the country. An owned portfolio concentrated in and around the Capitol area is also typical.

CBRE commonly recommends a portfolio mix that favors leased versus owned space for several reasons:

- Deferred maintenance on owned properties is a persistent challenge for state and local governments. CBRE routinely observes and studies publicly-owned real estate and finds sub-standard conditions and hard-working employees attempting to maintain 50+ year old buildings with limited budget.
- Leased facilities provide greater flexibility for management agencies, reduced staff expense, and the opportunity for routine upgrades and repairs as part of the lease process.
- When properly negotiated and market-dependent, triple net leases can represent a savings over ongoing operating expenses and capital expenditures for state governments, as shown on page 43.

State employee and leadership preferences related to increased telework and the corresponding scenarios and recommendations CBRE has made in this report would tilt the State's portfolio to be primarily owned real estate. We do not find this shift problematic as it has the net effect of reducing the State's overall footprint, results in more efficient occupancy, and consolidates occupancy in properties the State has a long term interest in retaining at the Capitol Complex.

If the owned properties were not part of the Capitol Complex, we would recommend disposition and move to leased space to capture long-term cost savings and streamline the portfolio.



State Portfolio Comparison, Leased versus Owned Square Footage					
	Leased	Owned	Total	% Leased	% Owned
<b>Minnesota</b>	3,700,000	2,440,000	6,140,000	60%	40%
<b>Florida</b>	7,000,000	4,480,000	11,480,000	60%	40%
<b>New York</b>	18,800,000	11,615,000	30,415,000	62%	38%
<b>Ohio</b>	3,900,000	4,500,000	8,400,000	46%	54%
<b>Tennessee</b>	3,046,042	5,252,574	8,298,616	37%	63%
<b>Maryland</b>	5,325,940	5,000,000	10,325,940	52%	48%

## Demolition/Redevelopment Opportunities

### Near Term Demolition Opportunity: The Ford Building

Built in 1914, the Ford Building is located at 117 University Avenue W. Saint Paul, located adjacent to the Capitol Complex. The building is 32,148 SF, and has been vacant since 2004.

The Ford Building is currently costing approximately \$35,000 annually to maintain. Due to the deterioration of the roof, the building is experiencing considerable water damage and accumulation of mold which will require significant costs to repair and remediate.

At the request of the RECS, CBRE prepared a lifecycle cost analysis to develop a new 246,000 SF building with a 651 space parking structure on the existing site. The projected costs to do so is \$126 million or \$513/SF. This translates to an average occupancy cost of \$37.45/SF and \$26.74/SF over the next 30 years on a non-discounted and NPV basis, respectively.



## Demolition/Redevelopment Opportunities

### Long Term Demolition/Redevelopment Opportunity: Centennial Office Building

The Centennial Office Building (COB) is located at 658 Cedar Street on the Capitol Complex in Saint Paul. COB is 213,224 USF and was officially home to over 1,000 employees prior to teleworking. Occupying departments include Minnesota Management and Budget (major tenant), Department of Administration, the Minnesota Campaign Finance and Public Disclosure Board, Minnesota Office of the Legislative Auditor, MNIT Services, Senate (major tenant), the Minnesota Council on Latino Affairs, and the Council on Asian-Pacific Minnesotans.

COB is in below average condition and would require improvements in order to attract and retain employees. At the request of RECS, CBRE prepared three cost analyses for COB based on the following:

1. Complete renovation of existing footprint
2. Complete renovation and addition of one story
3. Demolition and development of a 375,000 SF replacement facility.

The costs of these renovation/development scenarios range from \$102M - \$149M. Based on these costs we recommend alternate approaches to either use the existing square footage without a complete renovation or demolition of the building

In the near term, COB can be used for swing space during implementation of the densification recommendations, conference space, and other temporary uses that may be helpful to Admin.

Should the State choose to maintain ownership of COB, the space could focus on public-facing services. Such offerings would increase visitations and awareness to the campus as well as generate parking revenue. It is assumed that security measures would be implemented to accommodate such alternative uses.

In the long term, the square footage at COB may not be required to accommodate the State's ongoing occupancy based on the recommendations in the Facilities Strategic Plan being implemented. If desired, the State can relieve itself from annual operational costs of \$4.1M per year and required renovations estimated at \$320/SF.



## Policy recommendations

In addition to the property-specific recommendations identified, we have also encountered policy conditions that limit Admin and RECS ability to manage the portfolio with maximum bargaining power for the State.

We recommend the following items be explored for consideration, with legal counsel where applicable:

### **Negotiate co-terminus lease dates to allow for more bargaining power on behalf of Admin.**

If leases were co-terminus, multiple agencies could collaborate and negotiate next steps with landlords. This provides for thoughtful decision making for space utilization and improved economics with bargaining power.

### **Other operational considerations**

We recommend Admin continue to standardize operating procedures and requirements across real estate functions to:

- Create ability to better identify co-location opportunities by geography across all agencies
- Promote adherence to state policies and cost reduction guidelines
- Establish consistent assessment procedures for funding allocation for repairs and upgrades
- Establish building operating standards expected to be consistent and at lower costs





# Strategic Facilities Plan

State of Minnesota

Department of Administration  
Real Estate and Construction Services (RECS)

November 2022

**CBRE**



**WALKER**  
CONSULTANTS