



Agenda Item 7a

September 17, 2013

ITEM NAME: Workforce Space Needs

PROGRAM: Operations Support Services Division

ITEM TYPE: Information

EXECUTIVE SUMMARY

The CalPERS immediate workforce space needs are 110,000 sq. ft. and 80,000 additional sq. ft. in the next 5 years. Part of the 2012 Master Space Plan included moving staff into the 1800 3rd Street (Thomson-Diggs Building) property. Earlier this year, it was discovered that there would be significant costs to retrofit 1800 3rd Street and bring it into compliance for State occupancy. Staff began researching other options for CalPERS space needs. Those options include:

- Option A - initiate the buy-out leases with DGS for the two tenants at the 400 R Street (Lincoln Plaza South) property and utilize that space for immediate and future growth.
- Option B - utilize the additional space at CalPERS Emergency Operations Center (EOC), while still keeping a semi-functional EOC, with an additional 60 Call Center Staff and reduce some larger divisions to 6x9 workstations until the 400 R Street tenant leases expire in 2019-20.

STRATEGIC PLAN

This item is not a specific part of the Strategic Plan, but is part of the regular and ongoing workload of the Operations Support Services Division.

BACKGROUND

The 2012 Master Space Plan (Plan) was to serve as a road map for CalPERS to efficiently utilize office space for the next 3-5 years. The Plan identified an immediate need to find space for approximately 275 staff. Part of the Plan included moving staff into the 1800 3rd Street (Thomson-Diggs Building) property. However, that property did not pass a seismic evaluation and the cost to perform the seismic upgrades and Americans with Disabilities Act (ADA) compliance modifications were estimated at \$25M. In light of the costs to bring this building into compliance for State occupancy, staff began researching other options to meet space needs.

ANALYSIS

Staff conducted research on industry standards (private vs. public) space trends.

Private Industry Future Space Trends

Staff contacted Hogue and Associates, the CalPERS furniture and workstation vendor. According to Hogue, many companies are working in an increasingly social, mobile, and collaborative fashion known as “distributed work style”. This distributed work environment is characterized by smaller, high density individual spaces and increased allocation of seats for collaboration spaces, thus eliminating the large formal meeting spaces and conventional workspaces. According to Hogue, this trend is moving to Northern California as well. In the San Francisco market the trend is 6x8 workstations with low 42” walls. As the real estate market becomes more of a challenge, companies are looking to maximize their space vs. acquiring more.

California Government Building Space Trends

Staff contacted the Department of General Services (DGS). DGS oversees real estate, space planning, and construction for State owned and leased facilities. According to DGS’ Space Planning Unit, 80% of rank and file staff workstations are 8x8 (64 sq. ft.) and manager workstations are 8x12 (96 sq. ft.). Pursuant to the State Administrative Manual section 1321.14, the general guideline and space allowance for working professionals in a modular workstation is 64 sq. ft. The majority of CalPERS rank and file staff occupies a 9x9 (81 sq. ft.) workstation with manager stations ranging from 9x12 to 12x12.

Based on our findings, we recommend keeping staff in 9x9 workstations, where possible, until the distributed work style trend moves into state government.

Staff also conducted research on occupying additional space to meet current needs and future growth.

Option A – 400 R Street (Lincoln Plaza South)

Proceed with buying out the leases with DGS for the two tenants at the 400 R Street (Lincoln Plaza South) property. The two tenant leases expire in 2019-20. The building has a total of 207,000 sq. ft., which meets immediate and future space needs. The estimated cost of occupancy is \$13M - \$22M (renovations, furniture, IT infrastructure). It is estimated that this option could take 18-36 months for completion. Additionally, DGS will charge each department for the design, planning and associated moving costs. Current tenant rent is at \$1.99/month x 67,199 sq. ft. and \$2.05/month x 120,087 sq. ft. Other comparable space in the downtown area is averaging at \$2.45/month.

Option B – Emergency Operations Center (EOC)

If negotiations are unsuccessful with DGS, CalPERS can relocate an additional 60 Call Center Staff to the EOC and reduce some larger divisions to 6x9 workstations. This option will continue to split the CSOD Call Center staff, but is a temporary option

until the 400 R Street leases expire in 2019-20. The EOC has a total of 12,500 sq. ft. of office space. However, the entire EOC space cannot be fully utilized due to electrical and fire code restrictions. Also, in order to remain a functional EOC, some space must remain allocated for IT and Investments. The estimated cost is \$10M (renovations, furniture, IT infrastructure). It is estimated that this option could take 6 - 18 months for completion.

BUDGET AND FISCAL IMPACTS

The CalPERS Headquarters Building Account has \$3.1M budgeted in FY 2013-14 for IT infrastructure and furniture related to the 2012 Master Space Plan scheduled moves that could go towards either option. Additional funding would need to be requested through the formal budget request process.

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