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State of Oklahoma

Real Estate Portfolio Strategy

FINAL DELIVERABLE

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1. Executive Summary

1. Executive Summary

1.1 Real Estate and Portfolio Strategy Scope: In September of 2020, the State of Oklahoma (State) retained Jones Lang LaSalle, Inc. ("JLL") to develop a short- and medium-term comprehensive strategic real estate plan. The scope of the analysis focuses on State administrative space in Oklahoma City and Tulsa. The plan's overall goal is to provide the State with analysis and recommendations, including strategies and implementation plans, cost-benefit analysis, impediments, and success factors to consider in implementing the plan. Key areas of study for the plan include:

- Review State's current COVID-19 related real estate and facilities policies and practices and provide any recommendations for improvement based on emerging best practices.
- Identify "quick wins" that would reduce the cost and increase the efficiency of the State's management of its real estate.
- Review and benchmark State's current practices related to the management of its real estate and provide recommendations for improvement to consider, including:
  - Real estate information and operational technology;
  - Facility management practices;
  - Space programming standards; and
  - Short term response to the pandemic and long-term implications to the real estate strategy post-pandemic to incorporate lessons learned in remote work during the pandemic.

1.2 Project Context: Real estate is one of the State's largest expenses. For this reason alone, how the State obtains, deploys, operates, and maintains its real estate should be a key focus. Of equal importance is how the State designs its workplaces to enable its workforce's performance and satisfaction. Developing an effective real estate plan is one of the most important things government can do to improve services and manage financial resources prudently. This is particularly true in our society. Due to changing technology, workforce mobility, team-based work, shifting demographics, security, environmental sustainability, and the need to attract and retain the best and the brightest people, there has been a fundamental change in the nature of government work and constituent services. These changes collectively argue for a new approach to the workplace that considers these issues and their impact on organizational performance. As a result, public and private entities now innovate beyond the traditional workspace and develop new approaches as they respond to changes in work and workforce expectations.

Further fueling the need to rethink the State's real estate functionality and cost are the profound changes in work caused by the COVID-19 pandemic and the associated lessons learned. Except for essential frontline workers, the pandemic forced almost all public and private sectors to work remotely. This overnight change in how we work as a society has provided an unexpected yet critically vital opportunity to learn about the benefits and challenges of remote work on an unprecedented scale. Some of these lessons learned, globally and specific to the State, are described in this report. We also include recommendations for further exploring and incorporating them into the fabric of the State's ongoing real estate and workforce strategy.

In summary, the nature of work has fundamentally changed this year. Just as the introduction of the personal computer, internet, wireless networks, and mobile devices transformed work, so has the pandemic. We hope that the analysis and recommendations in this report will allow the State to capitalize on these changes and the opportunities they have revealed.

1.3 Methodology

JLL reviewed, in-depth, the following:

- The State's current real estate-related legislation and policies provided by State staff;
- The technology the State uses to manage and operate its real estate portfolio;
- The current conditions of the State's real estate operations and portfolio;
- Existing or planned telework initiatives;
- Facilities management (FM) costs, practices, and general approach; and
- The State's capital planning strategy and process.

Experts from JLL's Facilities Management, Technology, Workplace Strategy, Leasing, and Public Sector practices led the analysis. JLL collaborated closely with OMES and the Office of the Governor's Chief Operating Officer on all aspects of the assignment. The analysis relies on several methods, including interviews with State subject matter experts and agency leadership; analysis of State-provided data, studies, policies, and relevant information; and physical tours and inspections of critical State assets. JLL also benchmarked select real estate portfolio dynamics and practices against other states and the private sector.

1.4 Findings

The key findings from the analysis are below. Detailed descriptions of each finding are found in the body of the overall report.

Voice of the Customer: JLL conducted numerous interviews with OMES, agency leaders, and legislative representatives from the House and the Senate. From these interviews, the following themes emerged:

- If agencies wait for the pandemic to end before implementing any wide-sweeping telework changes, they may face resistance. To implement successful, long-term changes in work practices, agencies should begin now.
- Many employees have acclimated, and in most cases, embraced working from home. They also indicate a desire to continue some level of flexible telework in the future. Therefore, flexible telework policies will be critical for agencies to retain and attract high-quality employees. Also, some data indicate that remote work has increased productivity in some job functions.
- All agencies interviewed indicated a desire to reduce their physical footprint to consolidate organizationally and save money.
- The State does not have robust or consistently deployed real estate information technologies to track data and assist with the administration of its real estate portfolio or to effect consistent change as a result of the pandemic.

Real Estate Legislation and Policy: The State of Oklahoma has several policies governing all aspects of the built environment. These policies reflect real estate best practices and provide OMES with broad authority to implement real estate actions on behalf of agencies. However, OMES does not widely exercise this authority. In practice, OMES manages real estate on behalf of agencies who opt into their services. Many larger agencies, including DHS and others, generally operate with limited OMES oversight in real estate matters. These agencies mostly make their own space decisions, manage their own facilities, and improve their own space. Decisions are made on an ad hoc basis outside of an overall policy framework, and this has created inconsistencies on how real estate is used between agencies.

1.4 Findings Continued

Real Estate Information Technology: The State does not have a cohesive strategy or policy to select and deploy real estate technology. As a result, there is fragmented portfolio data, which is detailed in the State of Oklahoma Technology Landscape Matrix in Table 4.2 on page 21. Without a consistent strategy and policy governing real estate information management, the State lacks a clear window into its overall portfolio and there is a lack of consistent, and perhaps accurate, data. This limits the State's ability to make real estate decisions based on sound data, which if accurate and aggregated would provide clarity and accountability to the State, particularly given the size of its portfolio.

Real Estate Portfolio Summary: The State's owned office building portfolio in Oklahoma City and Tulsa includes nearly 3.5 million square feet in 73 buildings. The State's leased office portfolio includes 1.1 million square feet in 64 buildings. There are 13,055 employees assigned to this space, with a utilization rate of 270 rentable square feet per full-time equivalent (FTE). OMES manages over 1.7 million square feet in or roughly 50% of the total portfolio. The State is paying, on average, 25.6% below market for office properties but 22.4% above market for flex properties. Most of the State's leased portfolio comprises office properties.

Across the primary buildings toured by JLL, the State utilization is 308 square feet per FTE. By contrast, DHS-led efforts to reduce its own agency footprint, streamline processes, and adopt telework have resulted in **the number of employees assigned to the Sequoyah building nearly doubling. As a result, DHS has achieved an office utilization rate of 172 square feet per FTE** – almost half the average office utilization in other buildings. DHS is a true trailblazer in this area, setting an example for how other agencies can become much more efficient without impacting the level of services they provide.

Real Estate Facilities Management: On average, OMES's overall operating costs are at the higher range of JLL benchmarks and are higher than a sample of other state governments (including the States of Illinois, Ohio, Tennessee, and Utah). Generally, somewhat high general maintenance costs drive up the overall operating costs for OMES buildings.

JLL also conducted an in-depth assessment of the Will Rogers building. This assessment identifies that Will Rogers has general maintenance costs of $3.06 per square foot. JLL estimates that OMES could maintain the building more efficiently–potentially at $2.52 per square foot. Otherwise, OMES buildings are within or below benchmarks for chiller maintenance, elevator maintenance, water treatment, building automation, custodial grounds, pest control, and trash removal.

(JLL was unable to assess operating costs for non-OMES buildings due to a lack of data. This data may exist, but it was not provided to JLL. The lack of readily available information further supports the need for a robust technology and information management platform.)

Capital Planning: Each year, the Long-Range Capital Planning Commission ("LRCPC") provides recommendations for funding the State's current capital needs in addition to policy recommendations for managing the State's $14 billion portfolio. The appropriations process allocates as much money as legislators see fit, rather than what may be required. This practice has historically resulted in a funding gap for deferred maintenance in State buildings. The LRCPC made a series of recommendations summarized later in this section, which are reasonable and practical recommendations to resolve the deferred maintenance backlog.

JLL has also offered additional recommendations to help bolster the State's overall efforts to combat deferred maintenance. These include allowing agencies to retain a portion of disposition proceeds when considering the sale of underutilized assets. Currently, there is no incentive for them to do so. As a result, they retain buildings that they no longer use, but still incur operating and maintenance expenses. JLL also recommends that OMES and other agencies manage State-owned property to increase the "rents" they charge to occupying agencies to fund deferred maintenance directly.

1.5 Real Estate Policy Recommendations

In summary, JLL's policy recommendations are as follows:

1.5.1 Enforce existing policies governing real estate and the built environment.

The State, through OMES, has several sound policies governing leasing, space standards, utilization rates, capital improvements, and other real estate operations elements. However, the State does not centrally enforce these policies, and agencies do not consistently adhere to them. This dynamic creates numerous inefficiencies in the real estate portfolio that this report explores in detail. The State can significantly improve its real estate functional and financial performance should it enforce agency adherence to these policies. The State should also require that agencies make a formal request for any policy deviations.

1.5.2 Form an interagency team to establish a comprehensive telework program and policies.

Currently, there is no comprehensive statewide policy on telework. During the pandemic, most state employees transitioned to full-time telework. Agency leaders believe that employees will continue to request telework, perhaps even at increasing levels, after the pandemic has subsided. Telework impacts employee productivity and satisfaction, individual and team performance, management practices, training and enabling technologies, and office design. Without a coherent governing set of policies, agencies will take varied and inconsistent approaches with associated inefficiencies, uneven success, and costs. To facilitate lessons learned and overall buy-in, we suggest creating an Interagency Work Group to establish a consistent statewide Telework Program and supporting Policies. Suggestions for how to develop a comprehensive Telework Program are outlined in Section 7.

1.5.3 Organize a Real Estate Information Technology Leadership Group.

JLL found that the State has not standardized real estate supporting technologies across agencies. There is no coherent strategy in how these technologies. Are selected and deployed. The lack of a uniform approach makes it impossible to understand statewide metrics on the portfolio and identify inefficiencies and opportunities when planning strategic real estate actions. For additional discussion on this topic, please refer to the following Section 1.6 Real Estate Information Technology Recommendations.

1.5.4 Create bench contracts for real estate expertise.

The State could benefit from expedited access to private sector providers real estate and facility services. Currently, the State uses several private-sector contractors for a variety of services. The State should issue RFQs to solicit experts for a full range of services within the real estate lifecycle. This approach allows the State to pre-qualify those experts when requested by OMES or other user agencies for pre-determined and negotiated prices. For further discussion, please refer to Section 2.5 Real Estate Policy Recommendations.

1.5.5 Establish policies and programs to address chronic deferred maintenance.

All real estate and facility professionals at the State agreed that there is a significant deferred maintenance issue in state-owned buildings and insufficient funding to cure these deficiencies. JLL recommends that the State should adopt the recommendations outlined in the 2020-2027 Long-Range Capital Planning Commission's Capital Improvement Plan. The State should also position agencies to share in the disposition proceeds of surplus properties (currently, agencies have no incentive to dispose of surplus properties because there are no clear incentives to do so). Finally, the State should consider a slight increase in the rent OMES charges Agencies in state-owned buildings to help fund deferred maintenance reserves. For further discussion, please refer to Section 1.9 Capital Planning Recommendations

1.6 Real Estate Information Technology Recommendations

JLL offers the following recommendations for how the State can improve its technology and information management. These recommendations are in order of highest to lowest priority.

1.6.1 Organize a Real Estate Information Technology Leadership Group.

This multi-agency leadership group should be charged with identifying statewide solutions for the consistent deployment of real estate related information technology. We suggest the group begin by addressing the gaps identified in this report. This approach can inform the various real estate-related technologies tools and platforms available to provide the functionality required and achieve the best return on the investments. These tools should be common to all agencies. This leadership group should also develop a strategy to increase adoption rates across State agencies.

1.6.2 Implement AiM as a space management tool and either iOffice or AiM as a space reservation tool.

State agencies do not consistently use a single technology platform to manage large-scale telework adoption across multiple agencies effectively. However, several agencies use Assetworks AiM and iOffice already. AiM provides space management tools, and iOffice is a space reservation platform. AiM also offers a space reservation module, though no State agencies currently use it. Therefore, the State should consider the more widespread implementation of iOffice and/or AiM across all agencies as a logical next step. Doing so will allow remote workers to easily reserve spaces at the office and for the State to receive real-time metrics on how workers are using space. This technology will facilitate the State's transition to permanent telework, help employees reserve workstations and meeting rooms, and track utilization rates to ensure that telework policies align with actual work patterns.

1.6.3 Implement AiM as a facilities management (CMMS) tool.

Multiple processes and tools are used across the State to manage facilities maintenance and asset management. A centralized facilities management technology tool (otherwise known as a computerized maintenance management system, or CMMS) would improve facilities management operations and save money immediately. Several agencies already use AiM to provide CMMS functionality; therefore, the State may consider expanding its use of AiM across all agencies.

1.6.4 Assess remaining technology gaps and determine if the benefits outweigh the costs.

Several other platforms may round out the State's technology ecosystem. BI Analytics, sustainability, capital project management, and transaction management tools abound and may be worth further consideration. However, each comes at a cost. Therefore, the technology leadership group should assess these other platforms' cost-benefit to consider if they are worth pursuing. In particular, if the technology group implements the above recommendations and helps the State realize significant savings, exploring other platforms may be justified.

1.7 Real Estate Portfolio Recommendations

JLL offers the following recommendations for how the State can consolidate its real estate portfolio by adjusting to the new working environment that the pandemic has created. This approach, which JLL has explored in great detail, will allow the State to consolidate its agencies – many of whom are scattered across several owned and leased buildings – into fewer, State-owned properties.

1.7.1 Establish a new telework regime and new space standards for State agencies.

The State should formalize telework policies that reflect the "new normal" and reflect agency objectives for a functioning work environment. In discussions with State agencies, JLL discerned a widespread belief among agency leaders that there will be high ongoing telework levels post-pandemic. As such, the State should begin laying the groundwork for a new telework policy by surveying agency leaders and employees on topics such as type of work, frequency and nature of being present in-office, and an overall desire for permanent mobility versus a more hybrid approach.

1.7.2 Look for an opportunity for a pilot project to test new workplace strategies and understand the impact on the State's owned and leased portfolio.

JLL does not recommend that the State pursue wholesale change at first. Instead, JLL recommends that the State pursue a pilot project to explore office design concepts that accommodate a high telework volume. The pilot should be large enough that the State can evaluate and document meaningful impacts yet small enough to manage efficiently.

Based on agency interviews and best practices in the public and private sectors, JLL recommends that the pilot project adheres to the following parameters:

- Telework and Mobility: The pandemic has employers further evaluating their telework policies to adapt to a new work environment. The pilot project should include desk sharing targets to reflect a more mobile workforce. JLL recommends that the pilot project incorporate a policy of 50% of employees teleworking at any given time.

- Workplace Standards: Contemporary work environments feature fewer private offices and more open workstations to promote collaboration and accommodate more mobile employees. Mobile employees who come to the office will more often do so to collaborate rather than work individually. Therefore, office design will also change to feature more collaboration spaces, such as conference rooms and teaming areas. Sections 7 and 8 of this report outline a sample space program that reflects these trends. The State may consider implementing it as part of this pilot program.

- Utilization Targets: Real estate is an expensive but necessary asset. Therefore, it is crucial to ensure that an organization uses only as much space as needed to efficiently and effectively support operations. The pilot program should seek to establish more aggressive and efficient utilization targets for all agencies and employees.

JLL recommends that OMES consider renovating and reprogramming two floors of the Connors building as the pilot project. Approximately 12 months after the pilot project commences, the State should analyze how the pilot project space performs regarding functionality, user satisfaction, and cost. The State should then compare these assessments to that of other state office spaces. The comparison should examine the overall utilization of workspaces and collaboration spaces and operation and maintenance costs to determine if the pilot successfully met efficiency targets. The State should also conduct focus groups and user surveys to understand end-user satisfaction and utilization.

After a thorough analysis of the pilot project, the State can leverage lessons learned from the Connors building and refine its workplace strategy for widespread adoption.

1.7.3 Real Estate Portfolio Illustrative Consolidation

Following discussions with and feedback received from the State, **JLL modeled a scenario in which the State exits out of most of its leases in Oklahoma City and moves those tenants into State-owned buildings.**

In this scenario, agencies in leased spaces will move into State-owned buildings across three phases. Across all three phases, the State exits out of 178,163 leased SF and 122,843 owned SF in Oklahoma City. The first phase moves 277 employees in leased spaces into the first two floors of Connors and the second phase moves 413 employees in leased spaces into the remaining three floors of Connors. After fully occupying Connors with employees from identified leased spaces in Oklahoma City, there are only 245 remaining employees identified in leased or owned spaces to be exited.

JLL assumed these buildings would be reprogrammed and renovated to improve the productive capacity of the space. **JLL then modeled the net financial impact to the State across 30 years.**

In this scenario, it is assumed that the State will adopt a 50% telework policy in which half of employees are resident employees and half are telework employees. Since not all telework employees will be in the office everyday, there are fewer workstations dedicated to employees that telework. This allows for a significant consolidation of the State's real estate footprint in the assessed buildings.

The outcomes of this scenario include the gains in available square footage following consolidation and the Net Present Value and Net Cashflow across 30 years. Across the buildings in Graphic 1.1, **the State consolidates using a 50% telework policy which creates an additional +-780,000 square feet of rentable square footage across these buildings.**

After accounting for the cost of moving employees and renovating across all three phases, the 33-year NPV is $39.2 million and the Net Financial Impact is $75.6 million.

Graphic 1.1 – Net Financial Impact of 50% Telework Policy Adoption

			Status Quo	50% Telework	Status Quo	50% Telework	50% Telework
Buildings Toured	Total SF	Office SF	RSF per FTE	RSF per FTE	Total Employees		Additional RSF Post Consolidation
DEQ	348,245	239,242	480	164	498	1,459	158,760
Connors	142,577			166		694	113,854
Hodge	120,779	110,134	308	166	357	672	58,483
Transportation	218,446	176,500	294	166	600	1,076	80,500
Agriculture	98,713	64,718	179	169	362	395	4,641
Jim Thorpe	158,895	134,294	401	164	335	819	58,688
Sandridge	495,000	363,000	347	161	1,046	2,269	200,260
Sequoyah	176,120	154,764	172	166	900	944	10,720
Will Rogers	170,536	151,415	355	164	426	923	94,247
Total	**1,929,311**	**1,394,066**	**308**	**165**	**4,524**	**9,250**	**780,154**

Occupied RSF per FTE = Occupied RSF/Total Employees

Impact	Renovated SF	FTE	SF per FTE
Leased Exits	217,229	834	261
Owned Exits	122,843	101	1,216
Total	340,072	935	364
Phase 1 - Two Floors of Connors	45,722	277	166
Phase 2 - Three Floors of Connors	68,475	413	166
Phase 3 - Agriculture, Thorpe, or ODOT	50,106	245	205
Total	164,303	935	176

Total State Net Financial Impact	
33-Year NPV	$39,217,756
33-Year Total	$75,611,000
Square Feet Renovated	164,303
Years 1-10 Avg. Annual PSF Net Financial Impact	$9.04

1.8 Real Estate Facility Management Recommendations

Based on a review of facilities management practices, JLL offers the State the following recommendations in addition to the technology recommendations provided above:

1.8.1. Consolidate outsourcing contracts into a portfolio-wide FM contract.

Currently, the OMES has contracts with HVAC technicians, fire/life safety inspectors, plumbing services, and other vendors separately. Individual vendors, by and large, specialize and provide one or two services only. The State should consider retaining one or more vendors that can provide several (or all) necessary service lines instead of individual ones. Establishing a consolidated FM contract with a single vendor for all services would create savings and provide a single accountability point.

For example, a robust scope of services for a comprehensive facilities management assignment, along with KPI's for each scope item, can ensure that consolidated outsourcing is effective, impactful, cost-effective.

OMES could also allow agencies to opt-in to this contract, providing these agencies the same advantages and pricing available to OMES. Doing so would begin to push the State toward more consolidated and efficient FM practices.

1.8.2. Pilot a consolidated outsourced facilities management program at an OMES-managed building.

OMES should consider a consolidated outsourced FM pilot at an OMES-managed building. Like a pilot technology program or telework program, a pilot consolidated FM program can provide proof-of-concept before broader adoption. It will also allow OMES to ensure that the pilot saved money, provided superior service, and facilitated better reporting. Documenting the program's success can facilitate wider adoption by other agencies.

1.8.3. Implement an effective Reliability Centered Maintenance (RCM) program.

This includes a formal assessment of each maintained asset to establish criticality ratings and the optimized total cost of maintenance operations.

1.9 Capital Planning Recommendations

1.9.1 Long-Range Capital Planning Commission recommendations

The Long-Range Capital Planning Commission recommendations for 2020-2027 include the following capital planning policies, which JLL agrees with and has summarized below:

1. Establish an adequate and consistent annual appropriation for renewal of the State's real property assets. This should include eliminating agency exemptions from participating in the Oklahoma State Government Asset Reduction and Cost Savings Program and requiring proceeds of state property sales to be deposited into the Maintenance of State Buildings Revolving Fund. JLL also recommends the State establish an annual appropriation tied to the implementation of the Annual Capital Budget. Some governments tie a percentage of revenues to the capital budget to ensure that the government funds deferred maintenance.

2. Improve the State Legislature's awareness of the State's capital needs and connect the capital budget to the appropriations process. Include the annual capital budget in the executive budget document. Rather than separating out the capital budget from the executive budget document, consolidate both into the same budget to improve awareness of deferred maintenance and then present the capital improvements plan and annual capital budget to the Legislature.

3. Examine opportunities to consolidate and share facilities services, operations, and maintenance functions across agencies and at a regional level. This is an effective way to save on real estate costs with reduced footprints. Customer service is also improved when customers can complete several tasks at the same location.

4. Establish mechanisms to ensure accountability for proper maintenance of the State's real property portfolio, such as using an asset management database and requiring agencies to meet minimum process standards for facilities operations.

1.9.2. JLL additional recommendations

1.9.2.1 Eliminate agency surplus property exemptions and consider an equitable split of proceeds from the disposition of under-utilized State assets. Agencies often seek exemptions or do not declare their excess properties as surplus to avoid giving up control of properties since there is no direct benefit to them for doing so. Providing agencies with some portion of the disposition proceeds would incentivize agencies to surplus excess assets. This approach would also energize the State's property disposition efforts and more robustly fund the Maintenance of State Buildings Revolving Fund.

1.9.2.2 Increase rent charges on user agencies. Agencies will need less space as they embrace more telework and will save money as a result. JLL believes that the State should reinvest some of these saving to provide more funding to address deferred maintenance. To accomplish this, JLL proposes OMES gradually increase the rent they charge agencies to enable OMES to provide funding to the capital maintenance revolving fund. Specifically, OMES could create a tiered chargeback system that increases over time to an amount ranging from $0.75 to $1.50 per square foot to their current rent charges. The rent increment charged for deferred maintenance should supplement the funds generated with the Commission's Maintenance of State Buildings Revolving Fund. Other agencies that have a management structure similar to OMES – whereby they "rent" space to other State agencies – can pursue a similar strategy and thereby seeding a larger total fund. As the State's primary building owner and manager, OMES can pilot this approach and set a new standard for funding deferred maintenance.

2. Policy and Legislation

The following section is intended to summarize the pertinent policy and legislation governing the built environment used by the State of Oklahoma. Following the summary, JLL will recommend a series of initiatives designed to improve the State's real estate operations.

2. Policy and Legislation

2.1 Policy and Legislation Scope

JLL's task was to review all current policies and legislation governing operations of the State's real estate portfolio. This review intends to identify any governance roadblocks to implementing best-in-class real estate operations and offers recommendations on implementation and enforcement.

2.2 Policy and Legislation Methodology

JLL reviewed current real estate related legislation as well as policies provided by State staff. Real estate policies and legislation were also topics in all department head interviews and several follow-up meetings with real estate facility leads and other State staff. JLL offers a series of recommendations for better implementing existing policies and potential changes or additions to these policies. Finally, JLL reviews existing policies and legislation to determine whether the existing framework supports or hinders our recommendations.

2.3 Relevant Legislation Findings

OMES has broad authority over decisions related to the State's real estate and facilities. According to Oklahoma Statute Title 74, Chapter 4, Section 63, some of these authorities and obligations include:

OMES shall have charge of the construction, repair, maintenance, insurance, and operations of all buildings owned, used, or occupied by or on behalf of the State.

OMES has the authority to require state departments and agencies to be housed in a building and pay rent for the building's use and occupancy. The revenue is placed in the Oklahoma Capitol Improvement Authority Fund. These funds are used to support buildings and service bond debt.

2.4 Relevant Policy Findings

The State of Oklahoma has policies governing all aspects of the built environment. A series of policies govern real estate facilities management, space use, leasing, and technology (the analysis addresses technology in more detail in Section 4). This section will cover policies enabling the administration and decision making of real estate.

While OMES has broad legislative authority to manage all real estate with few exceptions, it does not widely exercise this authority. In practice, OMES manages real estate on behalf of agencies who opt into their services. Many large agencies, including DHS, make their own space decisions, manage their facilities, improve their own space, and generally operate with limited OMES. Feedback from interviews and conversations with OMES and user agencies has confirmed that OMES manages the real estate process for some but not all agencies within the State. When management of the real estate process moves from OMES to the user agency, the state policies governing space use and design are often abandoned. The policy framework currently in place that governs the built environment is designed to bring consistency to the State's real estate and to drive efficiency and cost savings in the portfolio. When State agencies circumvent OMES services and real estate policies, decisions are made on an ad hoc basis outside of an overall policy framework. This can result in the State's real estate portfolio becoming progressively less efficient.

2.5 Real Estate Policy Recommendations

1. Enforce existing policies governing real estate and the built environment.

The State has several sound policies governing leasing, space standards, utilization rates, capital improvements, and other elements of real estate operations. However, the State does not centrally enforce these policies, and agencies do not consistently adhere to them. This dynamic creates numerous inefficiencies in the real estate portfolio that this report explores in detail. The State can significantly improve its real estate functional and financial performance should it enforce agency adherence to these policies or require that agencies make a formal request for deviation.

2. Establish a telework program and policies.

Currently, there is not a comprehensive statewide policy on telework. During the COVID pandemic, most state employees were forced into full-time telework, and agency leaders believe in continuing telework growth after the pandemic has subsided. Telework impacts employee productivity and satisfaction, individual and team performance, management practices, training and enabling technologies, and office design. Without a coherent governing set of policies, agencies will take varied and inconsistent approaches with associated inefficiencies, uneven success, and costs. Suggestions for how to develop a comprehensive Telework Program are outlined in Section 7.

3. Organize a Real Estate Information Technology Leadership Group.

JLL found that the State has not standardized real estate supporting technologies across agencies and there is no coherent strategy governing how these technologies are selected and deployed. The lack of a uniform approach makes it impossible to understand statewide metrics on the portfolio and identify inefficiencies and opportunities when planning strategic real estate actions. The State should organize a multi-agency technology leadership group to develop a strategic plan for the State's real estate information technology. This group should utilize the technology challenges and gaps identified in this report to explore and recommend real estate related technologies to acquire and deploy across all agencies. The focus should be on technologies that best support evaluation and decision making to optimize real estate costs.

4. Create bench contracts for real estate expertise.

The State could benefit from expedited access to private sector real estate and facility services vendors. Currently, the State uses several private-sector contractors for a variety of services. The State should issue RFQs to solicit experts for a full range of services within the real estate life cycle. This will allow the State to pre-qualify those experts when requested by OMES or other user agencies pre-determined and negotiated prices. Once these contracts are in place, OMES or user agencies could request a proposal (RFP) to those firms and receive pricing in days rather than months. Additionally, the master contract would have been negotiated, further expediting the process. This would result in more efficient access to private sector experts, centralized control and tracking of their work, and lower prices through consistent competition for work.

2.5 Real Estate Policy Recommendations Continued

5. Establish policies and programs to address chronic deferred maintenance.

All real estate and facility professionals at the State agreed that there is a significant deferred maintenance issue in state-owned buildings and insufficient funding to cure these deficiencies. JLL recommends that the State adopt the recommendations outlined in the 2020-2027 Long-Range Capital Planning Commission's Capital Improvement Plan. The State should also position agencies to share in the disposition proceeds of surplus properties (currently, agencies have no incentive to dispose of surplus properties because there are no clear incentives to do so). The State should consider an increase in rent to help fund deferred maintenance. For example, slight increase in the rent OMES charges agencies in OMES-managed buildings can help fund deferred maintenance reserves in those buildings. Other agencies that have a management structure to OMES – whereby they "rent" space to other State agencies – can pursue a similar strategy for those buildings. As the State's primary building owner and manager, OMES can pilot this approach and set a new standard for funding deferred maintenance.

3. Voice of the Customer

The following section is intended to summarize a series of interviews conducted by JLL with various State agency leads about real estate issues such as telework, facilities management, technology, and other pertinent issues.

3. Voice of the Customer

3.1 Agencies Interviewed

As part of the discovery process, JLL interviewed leadership and staff from seven agencies to learn about each organization and its current and future staffing, real estate use, and how agencies transitioned to telework due to the COVID-19 pandemic. The agencies JLL interviewed vary in size, scale, and role so that JLL could understand the varied approaches agencies use to adapt to the pandemic. The interviewees usually included the agency leader and a facilities management supervisor.

In each interview, there was a set of questions asked across all agencies plus additional targeted questions following the building tours and portfolio review. In total, seven agencies were interviewed as outlined in Table 3.1.

Table 3.1 Summary of Agencies Interviewed

Agencies Interviewed
Department of Human Services
Department of Transportation
Commissioners of the Land Office
State Bureau of Investigation
Department of Health
Department of Mental Health and Substance Abuse Services
Office of Management and Enterprise Services

3.2 Interview Topics

Each interview included the following topics of conversation:

1. Overall Organization: Agency overview, mission and goals, challenges, and the impact to agency operations during the pandemic.
2. Workplace and Facilities: Telework, current facilities, agency locations, and security concerns across agency locations.
3. Finance: Budgetary and resource constraints the agency faces.
4. Technology: How the agency's current technology supports their organization and what future technologies the agency may need.
5. Vision of Success: The agency's vision for what outcomes would cause this project to be successful.

After all the interviews were completed, the topics discussed are generally categorized into the following three groups:

Change Management

Telework

Technology

3.3 Interview findings

3.3.1 Change Management

Change management is how an organization adopts changes to drive towards successful outcomes. COVID-19 has been a force of change that all agencies across the State have had to tackle. Several agencies were already preparing and thinking about telework and reducing physical footprints, but COVID-19 and budget shortfalls have accelerated those efforts.

Agency leaders shared the following regarding change management:

- In response to the pandemic, many agencies quickly shifted to telework without developing a comprehensive telework program. While the shift was necessary given the context, creating a telework program without analyzing the impact of telework policies or any processes to measure the impact limits a telework program's effectiveness.

- All agencies interviewed, including the smaller agencies, indicated a desire to reduce their physical footprint to consolidate organizationally and save money. Part of that shift will require a telework program that effectively details an agency's telework policies.

3.3.2 Telework

Every agency interviewed is in the process of reviewing how to successfully adopt an ongoing telework program that maintains productivity and satisfaction across its employee base. All agency leaders have informally asked their division leads how employees have managed working from home. However, DHS is the only organization to formally develop a survey that assessed how working from home had impacted employees.

Whether informal or formal surveying, agency leaders have typically found the following:

- Employees have generally provided positive feedback regarding working from home.

- Productivity has remained stable despite sporadic, lingering internet issues facing some employees working at home. However, employees with children face additional burdens with working at home while providing childcare, which has impacted productivity.

- Agencies are keen to maintain the adoption of telework policies more permanently and how those policies will impact their organization. Leaders interviewed observed that telework will play an essential role for agencies moving forward as employees desire flexibility. Leaders also note that providing a permanent telework regime for employees will be vital to retaining and attracting a talented workforce.

3.3.3 Technology

Interview questions related to real estate information technology made clear that there is no centralized repository of real estate portfolio data and instead agencies utilize different technologies and processes. This inconsistency creates inefficiencies across the real estate portfolio and prevents the state from being able to monitor and measure the portfolio's overall performance.

Agency leaders noted the following specific feedback regarding technology:

- Some agencies track facility maintenance requests through Excel tracking sheets and without measuring key performance indicators. Moreover, there is no widely-used facility management system for tracking service requests. There is also no consistent means to measure key performance indicators, such as client satisfaction and repair timeliness.

- Larger agencies tackle a large number of paper records independently, creating inefficiency that could cost the State more in time and labor. The alternative would be the State working with a single vendor to tackle this digitization endeavor across all agencies.

3.4 Summary

Graphic 3.2 shows an example of the interview questionnaire JLL used with each subject agency. The following summarizes the interview findings discussed previously:

- **Change Management:** If agencies wait for the pandemic to end, there will be more resistance to wide-sweeping organizational changes. The time to implement a successful, long term alteration of work practices is now.
- **Real Estate Information and Operational Technology:** There are no widely-used and robust real estate information technologies that track data and assist with administering a real estate portfolio. Additionally, inconsistent facility management technologies track requests, and measuring key performance indicators such as client satisfaction and timeliness of repairs is difficult or impossible.
- **Telework Policy:** Employees have expressed a strong desire to work remotely. Additionally, now that employees have experience working at home, flexible telework policies will be essential for agencies to retain and attract high-quality employees.
- **Reducing Physical Footprint:** All agencies interviewed, including the smaller agencies, all indicated a desire to reduce their physical footprint to consolidate organizationally and save money.

Graphic 3.2 Interview Discussion Template

State of Oklahoma Agency Leadership Discussion

Overview: A critical element in developing the State of Oklahoma's Real Estate Portfolio Master Plan is to gain a clearer picture of your agency and your real estate / space requirements. The following are some questions that will help us better understand the overall mission of your state agency and how the real estate / space can support your agency to best achieve your goals. We will be reaching out to you shortly to set up an interview to answer these questions.

Topic	Question
Overall Organizational	
1. Department/Division Overview	Provide a brief overview of what your department does and its key products/services. (If your department were to disappear tomorrow, what would be impacted?)
2. Mission and Goals	Provide an overview of your Department's mission and key goals and your key strategies to achieve them.
3. Challenges	What are the most critical challenges that need to be addressed to achieve your department's goals and objectives? Do you have any challenges recruiting or retaining employees?
4. Business Impact	What trends or factors may have a significant impact on your operations in the foreseeable future? How has COVID impacted your operations?
Workplace / Facilities	
5. Telework	Does anyone in your organization currently telecommute? What percentage of your workforce has been working from home during the Pandemic? Overall, how effective has working remotely been for your organization? Please indicate what percentage of your workforce will work remotely in a post-Covid world. Assuming that in a Post-Covid world there is a higher percentage of telework, what would the primary purpose for people to come to the office? How do you see the state's teleworking initiative impacting your organization moving forward? Facilities demand and design? Managerial considerations? Accountability? Collaboration? Other? Does your organization have the technology required to effectively telework? How has remote work impacted your delivery of constituent services?
6. Current Facilities / Workplace	How can the workplace better support your operations and day-to-day activities? What's working, what's not working and what's missing?
	How do you determine how much space you need and what types of amenities/equipment you require? Do you think all your divisions are currently right sized and in the right locations?
7. Location	How have you historically made decisions about where you locate your offices? Co-locating with other agencies Do you have geographical mandates we to have space in specific locations?
8. Time	What are your hours of operation? Are there flex schedules?
9. Security	Are there any security issues for your department? If so, what is the nature of the information to be secured? From whom does it need to be secured?
Finance	
10. Finance	What are key budgetary and resource considerations you have? What are the budgetary cycles you work with? (TIMING?)
Technology	
11. Technology - current	Does your current technology support your organization? If not, what would make a difference?
12. Technology - future	What future technologies may have an impact on your organization? What are the implications?
Closing	
13. Project Success	What is your vision of success for this project? How would you measure it?

4. Technology

The following section is intended to summarize the real estate technology ecosystem used by the State to manage and track its real estate portfolio. Following a summary of the current environment, JLL will then make a series of recommendations designed to improve the State's real estate operations through enabling technology.

4. Real Estate Information Technology

4.1 Real Estate Information Technology Scope

JLL reviewed the technology platforms used by the State to manage and operate its real estate portfolio. JLL also reviewed how well the State uses each platform relative to the full capabilities that a platform it already owns offers. After mapping these systems to various real estate functions and understanding how well the State uses each, JLL developed a series of recommendations. These recommendations aim to build a more comprehensive real estate technology platform and improve the functionality and adoption of the systems currently in place.

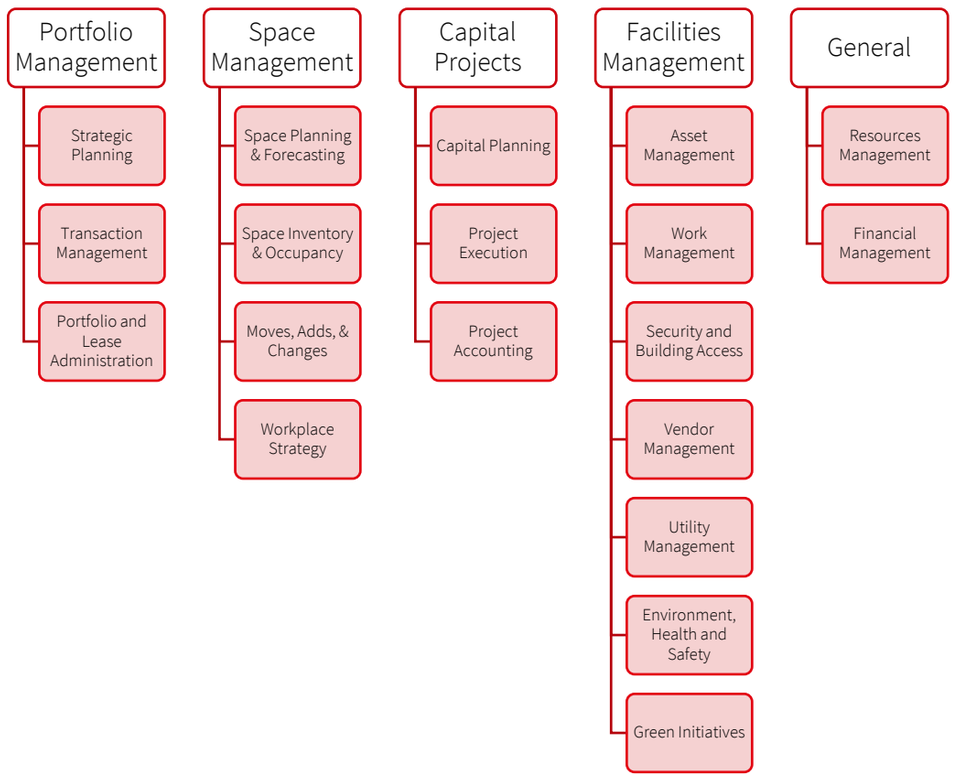
4.2 Real Estate Information Technology Process

JLL's technology consulting practice began by interviewing State staff charged with operating real estate information technology. Following those interviews, JLL created a matrix of all technology systems used across select State departments. Organized by the type of data managed, this matrix outlines which systems are used by each department, the level of adoption by each of these departments, the ability of these systems to communicate, and the ability of these systems to support a best-in-class real estate operation.

Note that JLL's review focused primarily on OMES. Information on how other agencies use technology systems is provided and assessed where available.

Based on this assessment of the functions identified in Graphic 4.1, JLL offers recommendations to create a more robust real estate information technology ecosystem and improve the utility of the existing systems as well as their cost and benefits.

Graphic 4.1 Technology Scope, Current State



4.3 Real Estate Information Technology Findings

The Technology Landscape Matrix (Table 4.2) is a graphical representation of real estate information technology systems used across three select State agencies: OMES, Tourism & Recreation, and Department of Transportation. Organized by the type of data managed, this matrix outlines which systems are used by each of these three agencies. These agencies' use of software was analyzed further based on available information and discussions with OMES.

Table 4.2 provides both an indication of how there are different technology systems providing the same function across these three agencies and how well information across agencies speak to each other. The breaks across the agency columns in Table 4.2 indicate that the agencies' data contained in those tools are not integrated with each other, resulting in fragmented sets of data across agencies. For example, both ODOT and OMES utilize Assetworks AiM for Work Management, but the data for both agencies are separated despite both agencies using the same tool.

- Green indicates that agencies are using fit-for-purpose tool(s) to accomplish the business function.
- Yellow indicates that the agencies are using the same fit-for-purpose tool(s) but there is room for improvement.
- Red indicates there is a lack of a cohesive process or tool.

The largest gaps in technology support identified are related to space and portfolio management, which supports data to inform space occupancy planning and managing telework programs. This data is either not tracked at all in a specific program or is being captured in multiple Excel spreadsheets.

Table 4.2 Snapshot of State Technology Landscape Matrix

		OMES	Tourism & Rec	ODOT
Portfolio Management	Strategic Planning			
	Transaction Management			
	Portfolio & Lease Admin	AssetWORKS AiM		
Space Management	Space Planning & Forecasting	Excel	Excel	Excel
	Space Inventory & Occupancy	AiM, Excel	Excel	Excel
	Moves, Adds, & Changes		Excel	Excel
	Workplace Strategy	Excel	Excel	Excel
Capital Projects	Capital Planning	Excel, GIS website, Word		
	Project Execution	ORACLE PRIMAVERA		
	Project Accounting		ORACLE PEOPLESOFT	
Facilities Management	Asset Management	AssetWORKS AiM	AssetWORKS AiM	
	Work Management	AssetWORKS AiM	Excel	AssetWORKS AiM
	Security/Building Access	C*Cure 9000 / SoftwareHouse		
	Vendor Management	Excel	Excel	Excel
	Utility Management	ENERGYCAP, WebCTRL		
	Env. Health & Safety	Excel		
	Green Initiatives	20 by 20 Program		
General	Resource Management	AssetWORKS AiM		
	Financial Management		ORACLE PEOPLESOFT	

4.3 Real Estate Information Technology Findings Continued

Table 4.3 illustrates the technology in use by OMES to support various real estate functions. Although there is room for improvement across the tools deployed, OMES is effectively utilizing many of the deployed tools. JLL assessed both the "fit" of the technology platform given its role, as well as how well OMES is using the platform to achieve its goals.

- **Space Management:** OMES uses AiM and Excel for managing its space inventory and determining potential moves across the portfolio. AiM is a facilities management system for real estate operations, property management, capital projects, and energy management. While AiM is a robust solution, the State could improve its use of AiM by feeding more Statewide data into other AiM functions and deploying the tool statewide.
- **Portfolio Management and Strategy:** OMES uses AiM for portfolio and lease administration but are lacking tools for strategic planning and transaction management. By migrating to an integrated portfolio management tool, space drawings would also feed into a portfolio strategy tool to enhance the tracking of the portfolio's performance.
- **Facilities Management:** OMES currently uses multiple tools across facilities management operations. This fragmented data makes data-driven decision making more challenging.
- **Capital Projects:** OMES uses Excel and Primavera for tracking capital projects. Primavera is a project management solution that has scheduling, resource, and contract management capabilities. The State should expand the use of Primavera across its portfolio.
- **Lease/Contracts:** Although OMES uses AiM for lease administration, the State has not deployed transaction management software to effectively consolidate all lease and contract data into a single location for better monitoring and decision making.
- **Data Analytics:** OMES utilizes both AiM-IQ and PowerBI for business intelligence. Both programs have overlapping functions in providing dashboarding and reporting capabilities, with PowerBI currently leading the market. Business Intelligence is a system for data analysis of reported information. These solutions make it easier for large organizations to track their real estate portfolio's performance.

Table 4.3 Snapshot of OMES Technology Functions

Function	Current Tool	Fit for Intended Use
Space Management	Excel AiM	❖❖❖ ❖❖❖
Facilities Management	AiM	❖❖❖
Portfolio Management and Strategy	Excel AiM	❖❖❖ ❖❖❖
Capital Projects	Excel Primavera	❖❖❖ ❖❖❖
Lease / Contracts	AiM	❖❖❖
Business Intelligence	AiM-IQ PowerBI	❖❖❖ ❖❖❖

Legend	
Poor Fit	❖❖❖
Market –Leading Fit	❖❖❖

Real Estate Information Technology

Findings and Recommendations

Findings and Recommendations:

The following section outlines the findings, proposed recommendations, and costs and benefits related to the State's use of real estate technology

4.4 Organization and Strategy

Finding: Currently, there is no cohesive statewide strategy in the selection and deployment of real estate technologies. This has caused the State's real estate data to become fragmented and diffused between various agencies (illustrated in Table 4.2. on page 22). As a result, there in no single source for comprehensive information on the State's portfolio, which makes it extremely difficult to make real estate portfolio decisions informed by accurate, timely and comprehensive data. Moreover, it makes it nearly impossible to measure the performance of the real estate portfolio around common metrics. Since real estate is one of the State's largest costs after employees, this likely is costing the state millions of dollars as a result of uninformed and non-transparent decision making for the acquisition, use and efficiency of real estate.

Recommendation: The State should establish a multiagency Real Estate Information Technology Leadership Group with the mission to develop and implement a plan to systematically improve access to key statewide real estate information and the systems that support it. Informed by the findings of this report, the multi-agency leadership group should align on priority needs for implementing technology platforms to be used by all agencies that will enable a fully functioning portfolio-wide real estate information ecosystem. The leadership group should also develop a strategy to increase the adoption rates of these platforms across State agencies, develop a roadmap to achieve a single source of information for each key function in the real estate life-cycle, and define ongoing State technology policies and protocols to ensure longevity of the initiative.

Benefits: Creating this multi-agency working group will provide the ability to set the vision and strategic direction for the management of the State's real estate information. With a centralized real estate information ecosystem, the leadership group can design strategies to increase the adoption of the system across State agencies and identify a clear owner and repository for real estate information with the delegated responsibility to maximize asset utilization across agency boundaries. If all agencies use similar real estate technologies, it will provide the state with comprehensive real time data to make more informed decisions. This transparency can address all aspects of the portfolio and provide many benefits including:

- Improve decision making through access to timely and accurate reporting on all aspects of the portfolio;
- Better occupancy decisions informed by opportunities across the portfolio;
- Provide clarity into all agencies use of space and overall real estate spend and whether real estate is being deployed in compliance with space use guidelines;
- Inform consolidation scenarios that will reduce the State's demand for space and drive down real estate costs;
- Provide ready access to how well state facilities are being managed and maintained; and
- Support a robust telework program by providing a reservation system to manage the resource needs and activities of a fluid workforce.

These benefits will serve to optimize the functionality of the overall portfolio, support policy compliance and lower overall real estate costs to the State.

Process Consultant Costs: $200K - $350K.

The State could explore this initiative without the help of private sector experts. It will likely take somewhat longer and require stronger senior State leadership without consultants.

Technology Systems Costs: None

4.5 Space Management

Overall Finding: As outlined in the State of Oklahoma Technology Landscape Matrix table on page 22, multiple technologies are deployed by agencies to mange real estate. Most of these systems are Excel based, which inhibits the ability to share and centralize this data. Moreover, Excel does not automatically integrate with other relevant departments such as HR, finance, or facilities management. Additionally, various Non-Excel based systems are purchased and utilized by individual agencies, which further creates information silos.

Space Planning Finding: The State uses Excel to complete space planning projects which prevents the ability to cross reference space assignments to human resources data. It also prevents integrating with CADD based design systems, which forces space planning updates to be entered manually, which rarely happens. This means that over time building interior plans become progressively more inaccurate and out of date.

Space Inventory Finding: OMES has adopted and is expanding its use of Assetworks AiM software. AiM is an "IWMS" or "Integrated Workplace Management System." IWMS software such as AiM offers a range of modules that can be customized to fit the needs of the using agencies, including managing work orders (similar to most CMMS, or Computerized Maintenance Management Systems), capital planning, space management, real estate and property management, and energy management. OMES currently uses AiM for some CMMS, capital planning, and property management functions. In addition, OMES plans to also use AiM to manage space inventory, transitioning to this platform from Excel in Q1 2021.

AiM is also used by some but not all agencies across the State and to varying degrees. Unless all state agencies use this technology, it will create an ongoing information gap for portfolio information and degrade the state's ability to monitor and manage its real estate.

Workplace Strategy Finding: Real time tracking of employee level space data will be an important piece of large scale telework adoption. The State does not have a system to track space utilization at this level. DHS is deploying iOffice, a cloud-based software for managing facilities to improve workplace space utilization. A system like iOffice will inform agencies of the utilization of workstations and collaboration spaces. However, OMES and other agencies are not adopting this software. This is going to present logistical challenges to a large-scale telework adoption if different agencies are using different software and approaches for reserving and tracking spaces in their facilities.

4.5 Space Management Continued

Recommendation: Have all agencies adopt AiM a single state-wide integrated space management tool. Also, identify and implement a single, state-wide space reservation tool. DHS already uses iOffice, and other State agencies may be able to expand on this existing services. AiM also offers a space reservation module that agencies can purchase, though doing so would limit the State's ability to coordinate a reservation system across all agencies given that DHS already uses iOffice. In either case, maintaining a coordinated reservation and management system will greatly facilitate space planning, space inventory, and employee level assignments and integrate this information with state-wide source data from HR, capital projects, lease administration, finance, and facilities management. The State should also offer OMES or consultant expertise to State agencies to provide training on this system to ensure it is used effectively.

Benefits: Integrating a single space management and space reservation tool across all agencies will drive adherence to OMES space use policies, which are designed to provide efficient spaces and reduce costs. It will also drive space utilization rates down as OMES and other agencies will have access to the data required to drive sound space use and location decisions. Agencies will also be able to report their actual real estate utilization data to relevant leadership with much greater accuracy and less effort. If AiM is used State-wide, there will be a single source of record for all the real property the State owns and occupies. Without such a source of record, the State cannot effectively optimize its real estate portfolio.

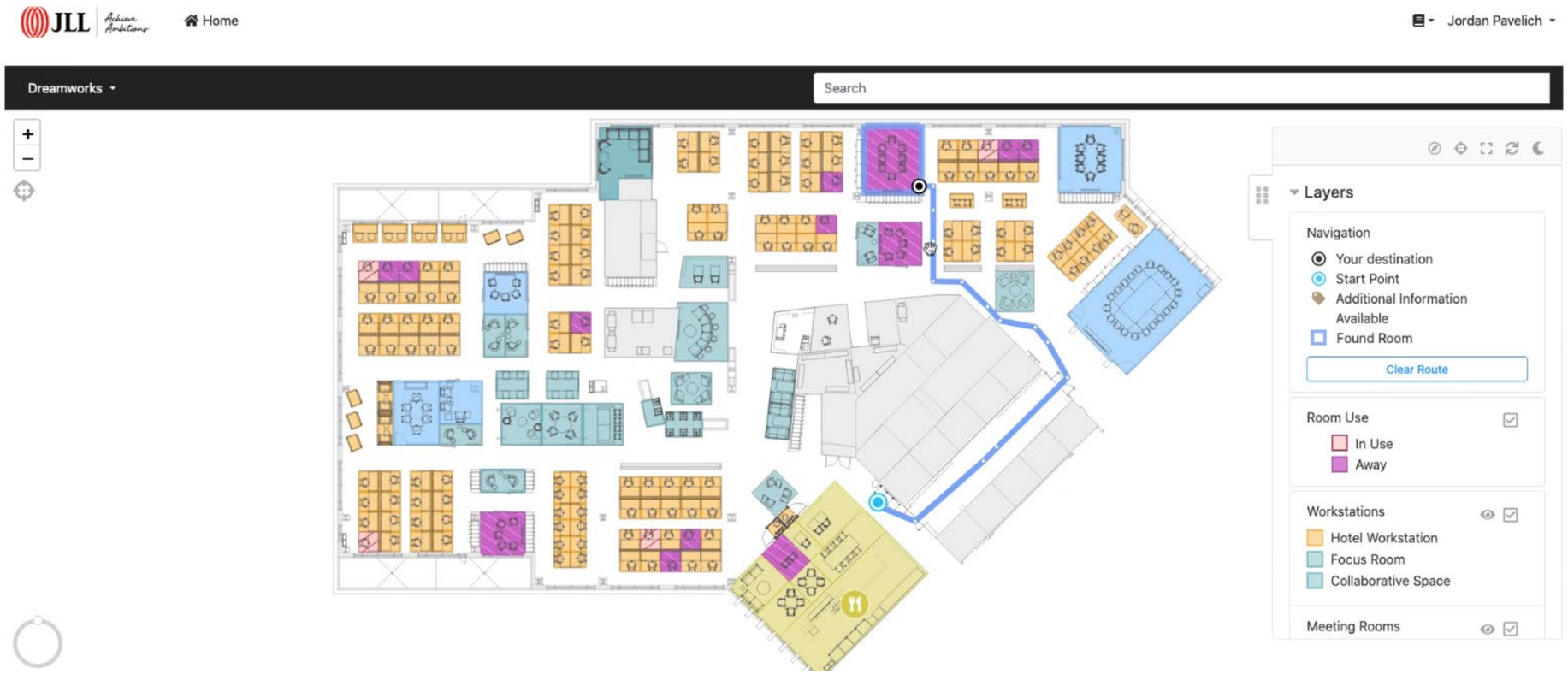
Wide-scale adoption of a telework program will be greatly assisted by the ability of the State to track employee level data. Employees will need to book desks and resources when determining when they enter State offices. If the State does not have a centralized employee level space technology solution, employees will overcrowd State space on high-traffic days and vice-versa on low traffic days. This is an inefficient use of State office resources which will reduce worker efficiency and will also compromise the ability to optimize employee space assignments.

Consultant Costs: $90K - $225K. This large cost range is driven by an unknown complexity of the integration across state agencies and information sources.

System Costs: Varies depending on technology chosen and extent of implementation; typically priced on a per-square-foot basis.

Graphic 4.4 is of a sample space management system. This system shows which spaces are currently in use by location and type of space. This type of detailed space management will be critical in enabling robust telework adoption. Additionally, a space management system can provide wayfinding guidance (the blue line) to locate workspaces, conference rooms, and co-workers in advanced workplace configurations.

Graphic 4.4 Space Management Technology



4.6 Facilities Management

Finding: Agencies variously use AiM, Excel, and other software to manage assets, work orders, security, vendors, utilities and energy, and health and safety. Specific tools and the agencies that have adopted them are explored in the State of Oklahoma Technology Landscape Matrix [Table 4.2]. Several agencies currently rely on Excel to manage critical tasks in the facilities management space.

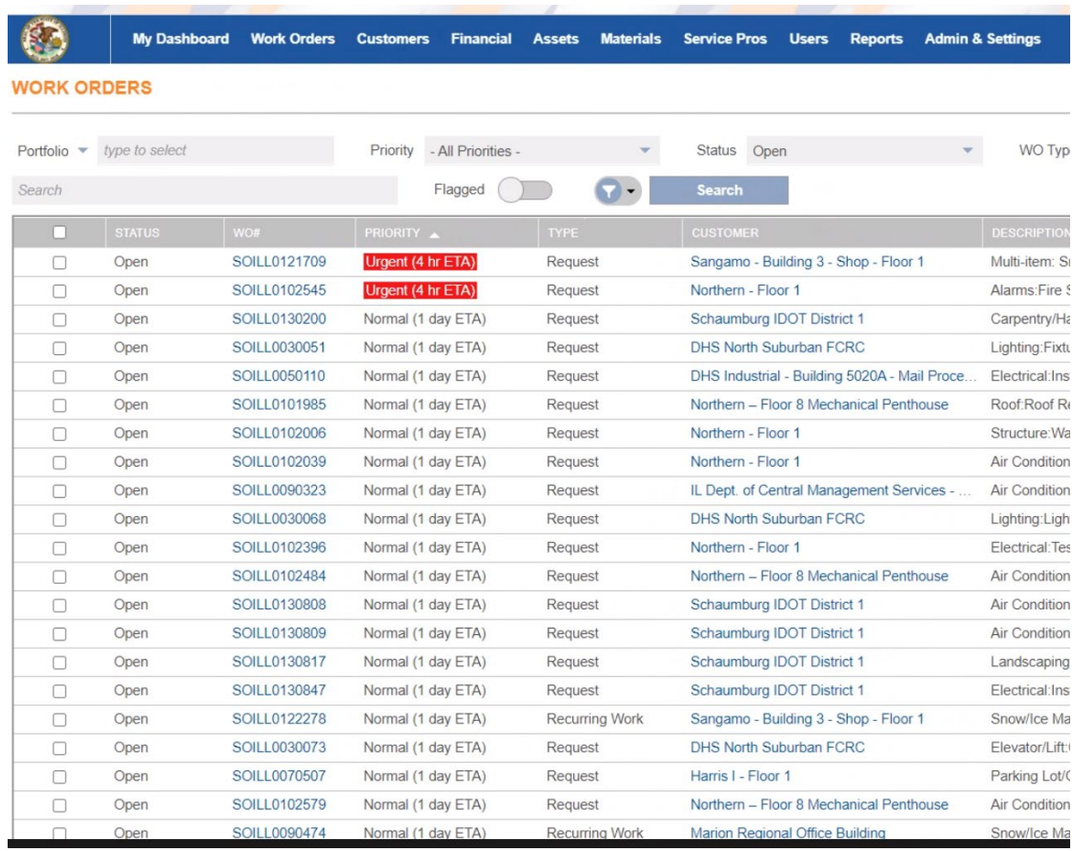
Recommendation: The State should consider widespread adoption of AiM Assetworks across all agencies, as this platform is in place for several agencies already. Doing so will increase the likelihood of adoption by agencies due to many agencies' familiarity with the system. To further encourage buy-in from agencies, the State may consider piloting an AiM expansion with key agencies who can then act as advocates for a boarder initiative.

Benefits: Centralized facilities management technology will allow for asset records and their service history to be contained in a single source of record, which will streamline workflow for preventative and reactive maintenance. Adopting a single system will also allow leadership to monitor key facility performance indicators, including operating costs, work order response time and satisfaction scores, and service provider expenses.. Additionally, more wide-scale adoption will reduce or eliminate redundant software systems and their associated costs, allowing for continual improvement and optimization of the State's real property. In sum, this approach will increase operational efficiency, monitor user satisfaction, and lower real estate costs.

Consultant Costs: $100K - $400K (depends on the current adoption and integration).

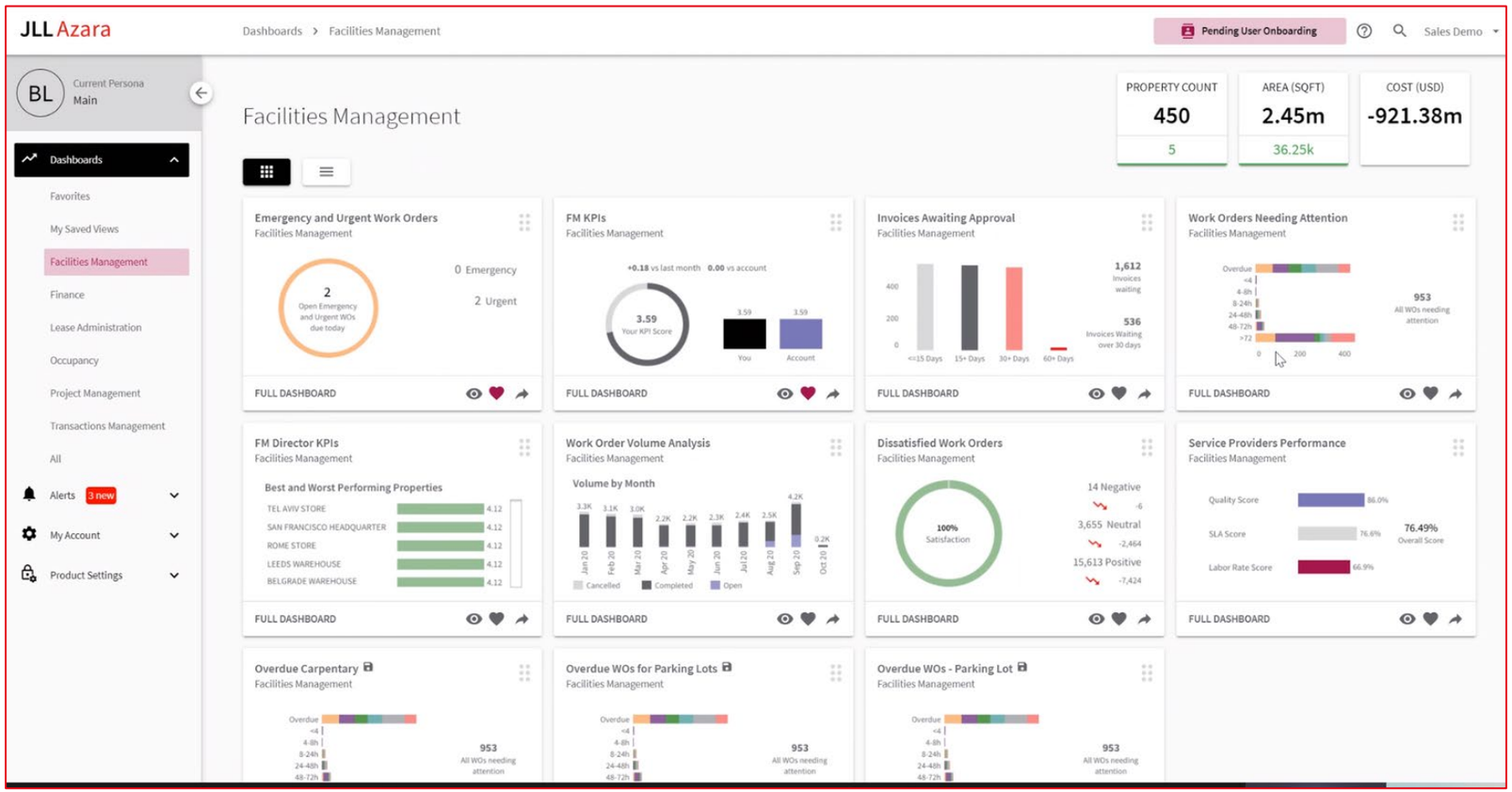
System Costs: Depends on OMES licensing agreement

Graphic 4.5 CMMS Technology



Graphic 4.6 shows a multi-disciplinary Facilities Management dashboard with a tab for each business domain. Each tile can expand into a full page and offers drill-down and filtering capability.

Graphic 4.6 Integrated Real Estate Information Technology Dashboard



4.7 Portfolio Data

Finding: JLL found a patchwork of portfolio data tools in use around the State. Like other applications, many agencies are using Excel on shared drives, while others use AiM. Information is therefore dispersed between agencies with more than one source of record, often using technologies that cannot readily share data with other systems. While OMES is transitioning to AiM, other areas of the State are not, leaving the State without a plan to get to a single source of record for its portfolio data.

Recommendation: AiM is well designed tool suitable for managing the State of Oklahoma's real estate data in a single source of record. As OMES is already migrating to AiM, we recommend State leadership require most other state agencies to migrate their real estate data to this system.

Additionally, throughout this migration process, the State should seek to scrub the data being input into AiM to ensure that all data formatting and identifiers are consistent with OMES standards.

Benefit: Consolidating onto AiM across the entire State portfolio will eliminate redundant IT systems, pool support resources which will maximize the functionality of the system, improve the pricing with increased purchase power, and expedite achieving a single source of record with improved data quality which has been explored in great length throughout this report. This single source of record with increased data integrity will also provide State leadership the data needed to make quality real estate decisions. All of these benefits will save the State of Oklahoma money and reduce real estate costs.

Consultant Cost: $80K - $300K.

Systems Cost: Reference OMES AiM Contract

4.8 Additional Options

Finding: There are several areas where the State does not have a centralized single source repository of record for real estate information technology that we would typically see in large private sector organization. These include business intelligence analytics, sustainability, capital project management, and transaction management.

Recommendation: The Real Estate Information Technology Leadership Group should evaluate its performance in previous areas of recommendation, then evaluate the cost/benefit of implementing technology solutions in the aforementioned areas.

Benefits: There are two types of tools in this group of additional technology options; logistical tools, and strategic tools.

- Logistical tools include transaction and project management tools, which provide clarity and insights into these processes in real time, to better inform decision making to measure and improve outcomes in each of their respective functions

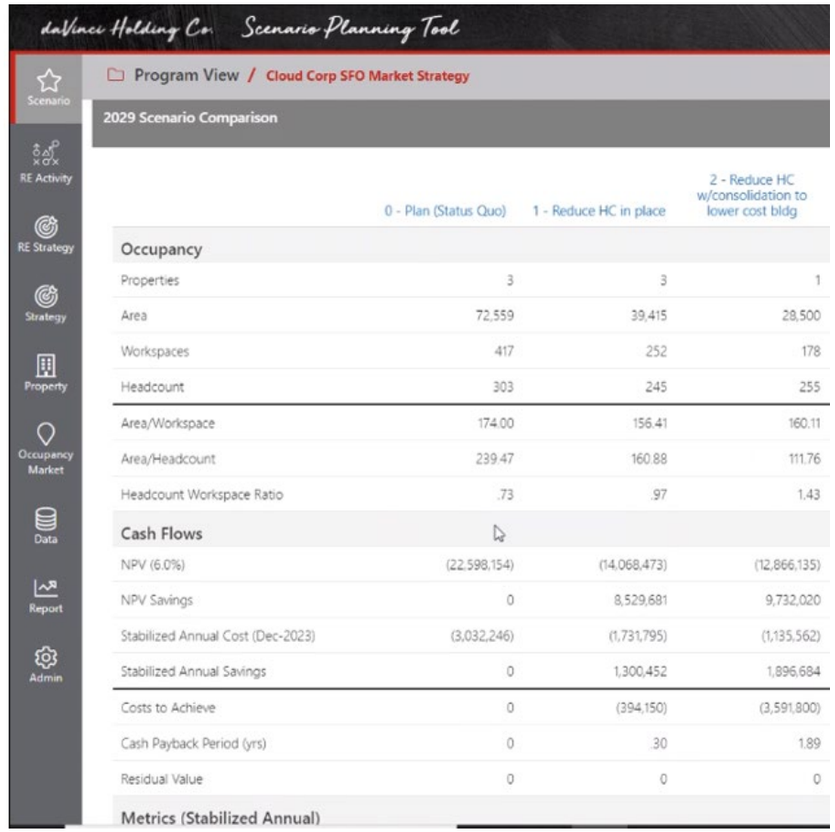
- The strategic tools support macro portfolio planning and provides a single source for key data intelligence and analytics that will arm leadership to better plan, react, adapt, and implement future moves in the built environment.

Consultant Costs: $225K - $400K

System Costs: $250K - $600K

Graphic 4.7 provides an example the types of data a scenario planning module provides, which could assist the State in creating scenarios that account for staff changes or changes in future policies governing the built environment.

Graphic 4.7 Space Planning Technology



	0 - Plan (Status Quo)	1 - Reduce HC in place	2 - Reduce HC w/consolidation to lower cost bldg
Occupancy			
Properties	3	3	1
Area	72,559	39,415	28,500
Workspaces	417	252	178
Headcount	303	245	255
Area/Workspace	174.00	156.41	160.11
Area/Headcount	239.47	160.88	111.76
Headcount Workspace Ratio	.73	.97	1.43
Cash Flows			
NPV (6.0%)	(22,598,154)	(14,068,473)	(12,866,135)
NPV Savings	0	8,529,681	9,732,020
Stabilized Annual Cost (Dec-2023)	(3,032,246)	(1,731,795)	(1,135,562)
Stabilized Annual Savings	0	1,300,452	1,896,684
Costs to Achieve	0	(394,150)	(3,591,800)
Cash Payback Period (yrs)	0	.30	1.89
Residual Value	0	0	0
Metrics (Stabilized Annual)			

4.9 Prioritized Real Estate Information Technology Recommendations

The State of Oklahoma should prioritize the following recommendations related to real estate technologies in the following order:

1. Organize a real estate information technology leadership group.

This multi-agency leadership group should be charged with identifying statewide solutions for the consistent deployment of real estate related information technology. We suggest the group begin by addressing the gaps identified in this report. This approach can inform the various real estate-related technologies tools and platforms available to provide the functionality required and achieve the best return on the investments. These tools should be common to all agencies. This leadership group should also develop a strategy to increase adoption rates across State agencies.

2. Implement AiM as a space management tool and either iOffice or AiM as a space reservation tool.

State agencies do not consistently use a single technology platform to manage large-scale telework adoption across multiple agencies effectively. However, several agencies use Assetworks AiM and iOffice already. AiM provides space management tools, and iOffice is a space reservation platform. AiM also offers a space reservation module, though no State agencies currently use it. Therefore, the State should consider the more widespread implementation of iOffice and/or AiM across all agencies as a logical next step. Doing so will allow remote workers to easily reserve spaces at the office and for the State to receive real-time metrics on how workers are using space. This technology will facilitate the State's transition to permanent telework, help employees reserve workstations and meeting rooms, and track utilization rates to ensure that telework policies align with actual work patterns.

3. Implement AiM as a facilities management (CMMS) tool.

Multiple processes and tools are used across the State to manage facilities maintenance and asset management. A centralized facilities management technology tool (otherwise known as a computerized maintenance management system, or CMMS) would improve facilities management operations and save money immediately. Several agencies already use AiM to provide CMMS functionality; therefore, the State may consider expanding its use of AiM across all agencies.

4. Assess remaining technology gaps and determine if the benefits outweigh the costs.

Several other platforms may round out the State's technology ecosystem. BI Analytics, capital project management, and transaction management tools may be worth further consideration. However, each comes at a cost. Therefore, the technology leadership group should assess these other platforms' cost-benefit to consider if they are worth pursuing. In particular, if the technology group implements the above recommendations and helps the State realize significant savings, exploring other platforms may be justified. Some of those additional platforms address the following functional areas:

- Transaction Management: A single platform for managing transactions and leases will make it easier for the State to effectively track costs, key dates, and other critical data.
- Capital Projects: OMES has recently deployed Primavera which is a powerful platform for managing large capital projects. If Primavera proves to be a strong tool for OMES, the State should consider a statewide implementation of Primavera for managing capital projects.
- Business Intelligence: The more platforms and datasets that can be integrated, the better the State can leverage all the available data to track key performance metrics and make data-driven decisions.

5. Portfolio Review

The following section outlines the real estate data used by JLL to create recommendations and analyze the impacts of those recommendations.

5. Portfolio Review

5.1 Portfolio Review Scope

JLL was tasked with understanding the current conditions of the State's real estate operations and portfolio. This portfolio examination includes the size and location of facilities, owned and leased space metrics, efficiency and condition of owned assets, space delivery processes, workplace standards and practices, financial constraints, and policy considerations. The following sections will present the information obtained in the discovery process.

JLL's assessment focuses on office, storage, and warehouse facilities (emphasizing office) in Oklahoma City and Tulsa. Further, the scope excludes buildings used by higher education, hospital system, and Legislative and Judicial bodies. Additional exclusions include the State Capitol and buildings that exist primarily as investment vehicles for the Commissioners of the Land Office, Teachers Retirement System, and others.

5.2 Portfolio Review Process

At the outset of the project, JLL provided the State with a request for information covering various data points on the State's portfolio (facilities assessment reports, leased space documentation, O&M costs, governing policies, etc.). JLL met extensively with the State department heads and real estate staff to better understand their goals and objectives, learn about their processes and challenges, and understand the data shared through the Request For Information (RFI). Following these meetings, JLL organized dozens of follow-up meetings to discuss real estate information technology systems, review existing facilities management and capital planning policies and legislation, and discuss State data to ensure that JLL was accurately analyzing the current portfolio.

5.3 Portfolio-Specific Policy Findings

Generally, the State has sound policies delegated to OMES that govern space design, SF utilization rates, space requests and approvals, and tracking. However, despite a sound policy framework, many State agencies do not follow these policies and often make decisions about space design and SF utilization independently without consulting OMES. This dynamic results in redundant space, space that doesn't follow existing space design policies, and real estate information that is not tracked by any single source. Collectively, these non-policy compliant actions result in inefficiencies that increase real estate costs for the State.

Some of the key existing policies include:

New Space Acquisition

Agencies will submit a space request to OMES when leasing or occupying new or additional space. OMES will attempt to accommodate this request through State-owned space whenever possible. However, when State-owned space cannot accommodate space requests, OMES will authorize the user agency to lease non-state-owned facilities. All space leases must be authorized by OMES unless waived by the director of OMES.

Space Allocation Standards

Space requests should ordinarily not exceed 150 net usable SF per full-time employee of the requesting agency and 70 SF per full-time employee for employees who are in the office less than 60% of the time. Specific metrics exist for calculating the size of particular space types such as reception areas, conference rooms, training rooms, intake/interview rooms, libraries, file storage, printers, mail operations, and employee break rooms.

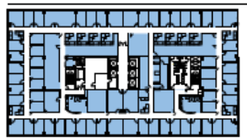
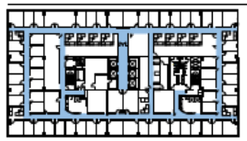
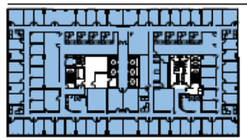
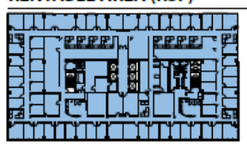
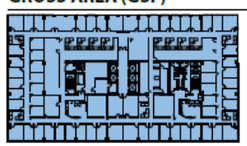
5.3 Portfolio-Specific Policy Findings Continued

Space Calculations

The State uses a definition of Net Usable (labeled Usable Area) square feet. This is calculated by measuring the occupied space from the normal inside finish of the permanent exterior wall and deducting toilets, stairwells, elevators, equipment and service areas, entrances and lobbies, and other building stacks. This calculation is the basis for all State data analysis as well as leases in non-state-owned spaces. There is nothing wrong with using this metric if consistently implemented per policy. However, using this calculation will make it difficult to benchmarking the States' space data to other entities very difficult, as most other public and private sector organizations track their space using either Rentable Square Foot (RSF) or Useable Square Foot (USF) as the key metric as defined in the adjacent table.

The graph on the right defines the various space utilization metrics typically used in the real estate industry.

Graphic 5.1 BOMA Traditional Area Definitions

	What it Includes	How it is Measured	When is it Used
NET AREA (NSF) 	Includes workspaces (office and workstations), dedicated support (conference rooms, supply rooms, etc.), shared support (shared copier rooms, break rooms, etc), and special mission-critical support spaces (evidence rooms, laboratories, courtrooms, etc.)	Measure to the centerline of interior partitions of a space. Total Net Area is calculated by adding together all programmed areas.	• Space Programming • Space Standards/Guidelines • Tenant Improvements
CIRCULATION AREA 	Circulation Area can be broken into two types: primary and secondary. Primary circulation is the main route connecting the building core and common spaces, such as elevator lobbies, exit stairs, and core toilets. Secondary circulation is the aisles between individual and support spaces.	Based on the ratio of enclosed spaces to open spaces, a Circulation Multiplier is estimated and applied to the total Net Area to determine the Circulation Area. *Planning Formula: Circulation Area = NSF x (Circulation Multiplier - 1)*	• Space Programming • Space Standards/Guidelines • Tenant Improvements
USABLE AREA (USF)* 	Includes Net Area and Circulation Area, but excludes building core and common spaces such as elevators, exit stairs, mechanical rooms, and core toilets. For multi-tenant floors, common building corridors are excluded from Usable Area and instead, are included in the Rental Area.	See ANSI/BOMA standard* for detailed calculation method. Generally speaking, measure the area enclosed between the finished surface of the office area side of corridors and the dominant portion of the exterior walls or vertical penetrations. *Planning Formula: USF = NSF + Circulation Area*	• Space Programming • Space Standards/Guidelines • Tenant Improvements
RENTABLE AREA (RSF)* 	Usable Area and building common spaces, such as the building lobbies, egress corridors, service spaces (mechanical/electrical, toilet, janitorial, etc), and loading docks. Excludes major vertical penetrations, such as stairwells, elevators, and major shaft spaces.	See ANSI/BOMA standard* for detailed calculation method. Generally speaking, add the usable area to building common spaces while excluding major vertical penetrations. *Planning Formula: RSF = USF + prorated share of Building Common Area*	• Commercial Leases • Rent Calculation
GROSS AREA (GSF)* 	Includes exterior wall thickness, and all vertical penetrations (mechanical/electrical, plumbing, elevator shafts, stairwells, etc.), as well as basements, garages, and penthouses. Excludes parking lots and loading docks outside the building line.	See ANSI/BOMA standard* for detailed calculation method. Generally speaking, measure to the outside finished surface of permanent outer building walls. *Planning Formula: GSF = RSF + Vertical Penetrations and Building Exterior Walls*	• Construction • Real Estate Portfolio

5.4 Owned and Leased Space

Based on the scope of this analysis, the State's owned office building portfolio in Oklahoma City and Tulsa includes nearly 3.5 million SF in 73 buildings and the leased portfolio includes 1.1 million SF in 64 buildings.

For storage and warehouse, the State owns about 200,000 SF in 41 buildings and leases 480,000 SF in 28 buildings.

Chart 5.2 Owned and Leased Office Space

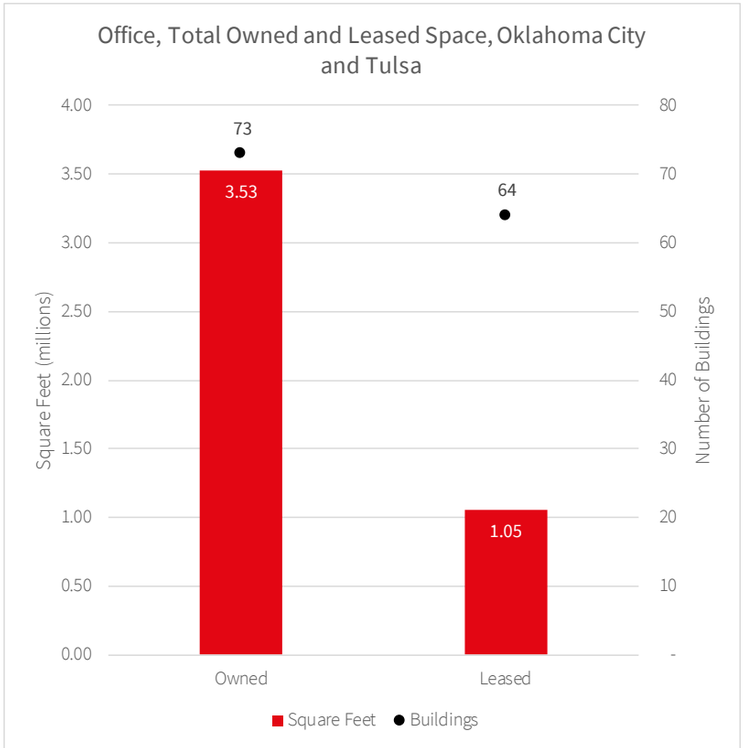
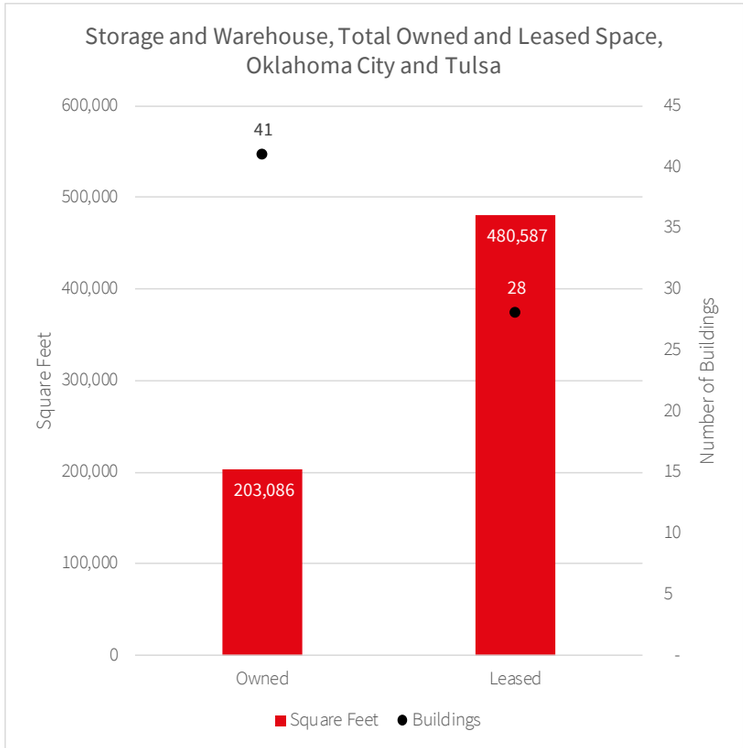


Chart 5.3 Owned and Leased Office Space



5.5 Agency Management of Space

Of the 3.5 million SF owned office portfolio in Oklahoma City and Tulsa, OMES manages over 1.7 million square feet in, or roughly 50% of the total portfolio.

For storage and warehouse, OMES manages 127,000 SF of the 203,000 SF owned portfolio, or 63%.

Chart 5.4 Office Square Footage

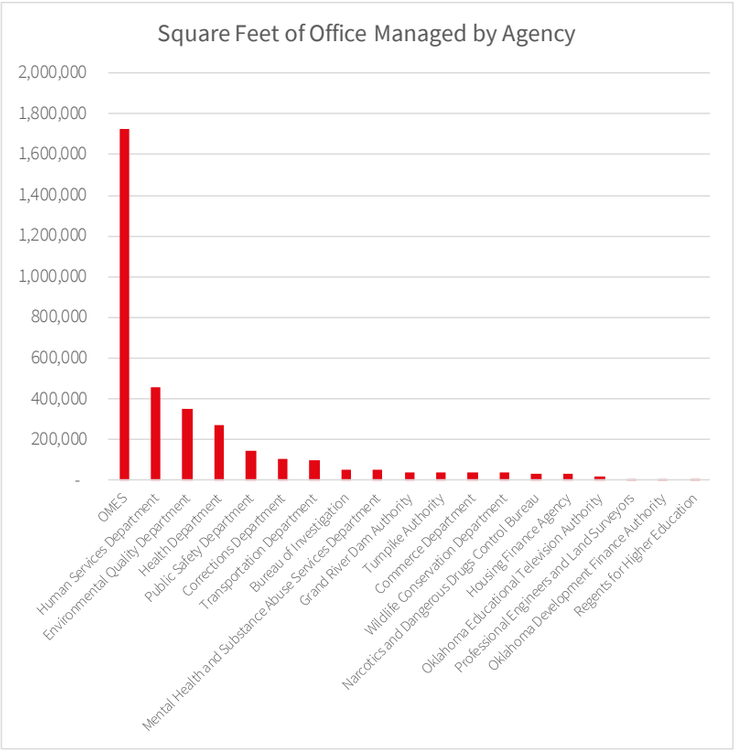
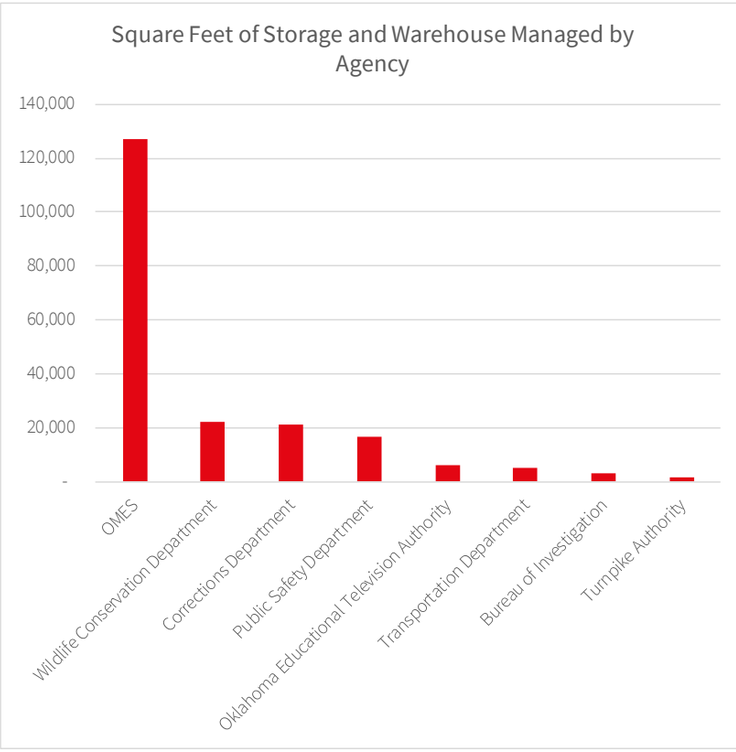


Chart 5.5 Storage and Warehouse Square Footage



5.6 Agency Occupancy of Space

Of the State's 3.5 million square feet of owned office buildings in Oklahoma City and Tulsa, 3.1 million square feet is occupied by 70 agencies.

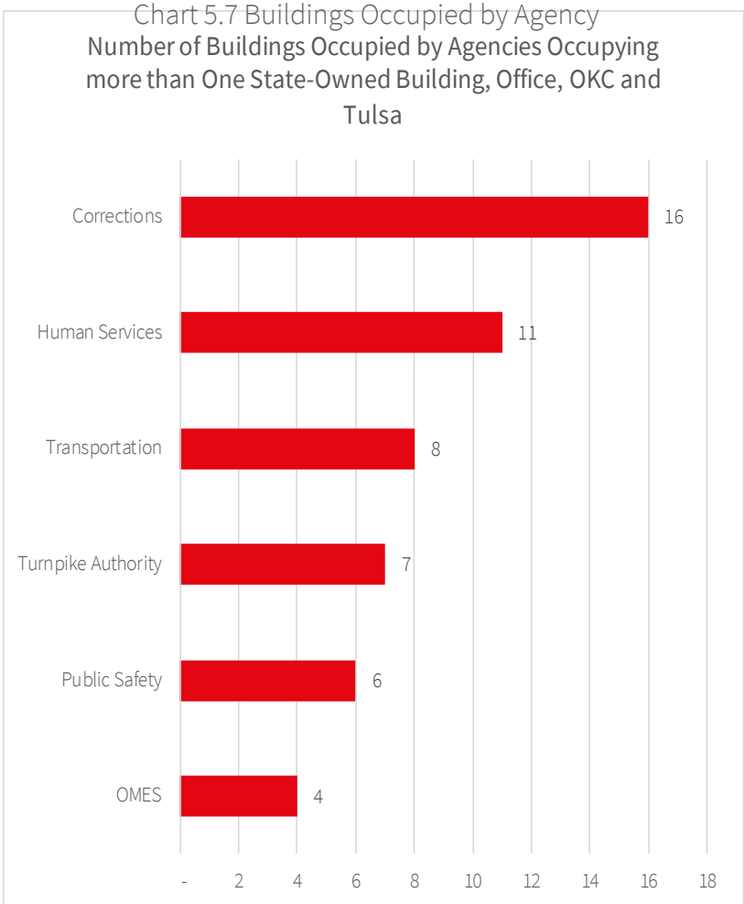
A total of 467,897 is currently unoccupied, made up of:

- Connors: 142,577 SF
- Health: 269,777 SF
- Spaces within other buildings totaling 91,463 SF

Of these agencies, Corrections occupies the greatest number of discrete buildings, followed by DHS, Transportation, Turnpike Authority, Public Safety, and OMES.

Chart 5.6 Agency Occupancy of Space

Chart 5.7 Buildings Occupied by Agency



5.7 Agency Occupancy in Leased Space

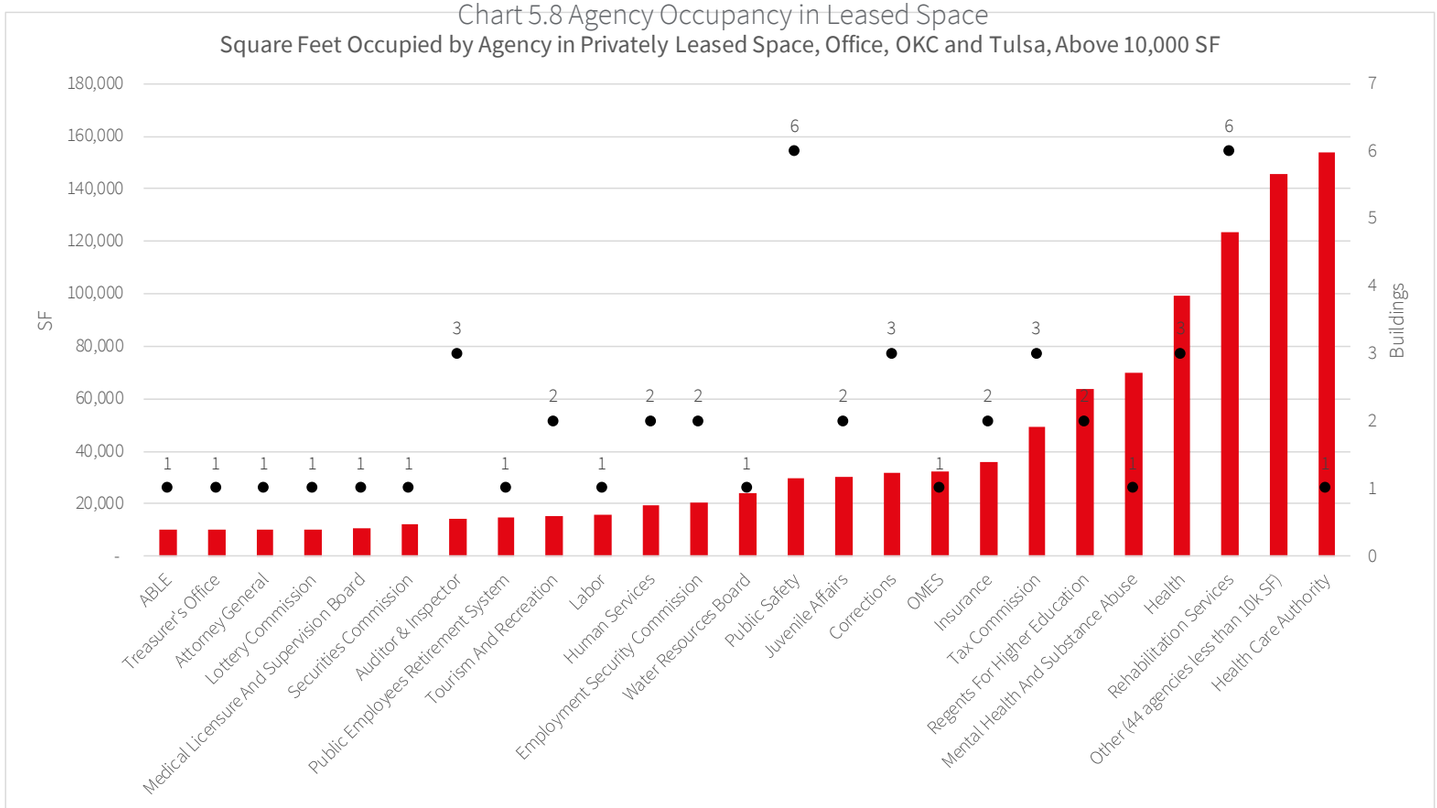
Among the State's 1.0 million square feet of office space leased in privately owned buildings, several agencies occupy a large amount of space.

The chart on the left illustrates agencies that occupy more than 10,000 SF of leased space, and in how many separate buildings they occupy.*

44 of these agencies lease less than 10,000 SF, comprising 145,000 SF total in several buildings.

*Note that the number of privately owned buildings an agency occupies may be different from the number of actual lease agreements an agency has in place with a landlord. Some agencies maintain several leases in a single property. This dynamic is discussed in more detail on the following page.

Chart 5.8 Agency Occupancy in Leased Space



5.8 Agency Occupancy in Leased Space

In total, these leases account for 64 total buildings: 48 in OKC, and 16 in Tulsa.

Most agencies occupy a single space within a building, though several occupy more than one building.

In addition, three agencies have more than one lease agreement in place at a single property [see Table 5.11].

There are also several buildings, all in OKC, that are home to more than one State agency.

Table 5.9

Agencies Leasing More than One Building or Space

Agency	Number of Buildings
OKC	
Mental Health	1 (2 total leases)
Law Enforcement Retirement System	2
Health	2 (3 total leases)
Tourism And Recreation	2
Auditor & Inspector	2
Juvenile Affairs	2
Human Services	2
Regents For Higher Education	2
Tax Commission	3
Corrections	3
Public Safety	4
Rehabilitation Services	4 (8 total leases)
Tulsa	
Public Safety	2
Bureau of Investigation	2
Rehabilitation Services	2

Tables 5.10 and 5.11

Buildings with Multiple Agencies Leasing Space (all OKC)

Building	Agencies
Shepherd Center (2401 NW 23rd St)	9 (14 leases)
Colcord Center (421 NW 13th Street)	8
3700 N Classen Blvd	6
Cameron Building (2915 N Classen)	4
Centennial Business Center (3815 N Santa Fe)	3
Landmark Towers (3545 NW 58th)	3
840 Research Parkway	2
204 N Robinson Ave	2
Santa Fe Building (3812 N Santa Fe)	2
Stiles Place (3017 N Stiles)	2

Agencies with Multiples Leases in a Single Building

Agency	Building	Number of Leases
Mental Health	2000 N Classen Blvd	2
Health	Shepherd Center (2401 NW 23rd ST)	2
Rehabilitation Services	Shepherd Center (2401 NW 23rd ST)	5

5.9 State Lease Market Comparison

The State is paying, on average, 16.3% below market for office properties and is paying on-market rental rates for flex properties.

The State's leases for office space in the CBD garner slightly better rates than market compared to non-CBD locations. Also, the State's rental rates for lower-quality, 2-star office properties in the CBD are lower than market compared to higher-quality, 3-star and 4-star properties (though the State does have a favorable rental rate at its only 4-star property, BancFirst Tower at 100 N Broadway). The State's average rental rates in non-CBD office properties are similarly below market with only a minor difference depending on quality.

These below market rates were achieved despite a 30-day termination right in nearly all leases signed by the State.

Although the average difference of the State's flex property rental rates compared to the market average is 9.0%, flex properties only comprise two of the 48 buildings that the State currently leases. As such, the current flex property rental rates are on market.

Table 5.12 Market Comparison to State Leases

Office	2-Star		3-Star		4-Star	
	Avg Mkt Rent	Trend	Avg Mkt Rent	Trend	Avg Mkt Rent	Trend
CBD	$17.67	Falling	$17.90	Falling	$22.50	Stable
Non-CBD	$15.72	Falling	$16.14	Falling		

Flex Industrial	2-Star		3-Star	
	Avg Mkt Rent	Trend	Avg Mkt Rent	Trend
Non-CBD	$8.38	Stable	$9.70	Stable

Building Type	Average Lease Rate	Average Difference Compared to Market
Office	**$16.41**	**(16.3)%**
CBD	$14.19	(22.7)%
2-Star	$12.58	(28.8)%
3-Star	$14.61	(18.4)%
4-Star	$15.28	(32.1)%
Non-CBD	$13.07	(15.0)%
2-Star	$12.65	(19.5)%
3-Star	$13.36	(11.9)%
Flex	**$9.75**	**9.0%**

5.10 Statewide Portfolio Recommendations

Should the State of Oklahoma seek to optimize the portfolio beyond the Oklahoma City and Tulsa markets. The development of regional centers increase efficiencies and achieve cost savings. Regional centers are state-owned office buildings that house multiple agencies in strategic locations around the state. Co-location of state agencies in regional centers provides both qualitative and quantitative benefits to the service provider and the customer. The benefits of regional centers include:

Increased Efficiency – Co-locating multiple state agencies into a single regional center will increase efficiencies as the State will be able to reduce the overall real estate footprint. Exiting leases and consolidating state-owned space into a single location will help to achieve lower occupancy and operating costs.

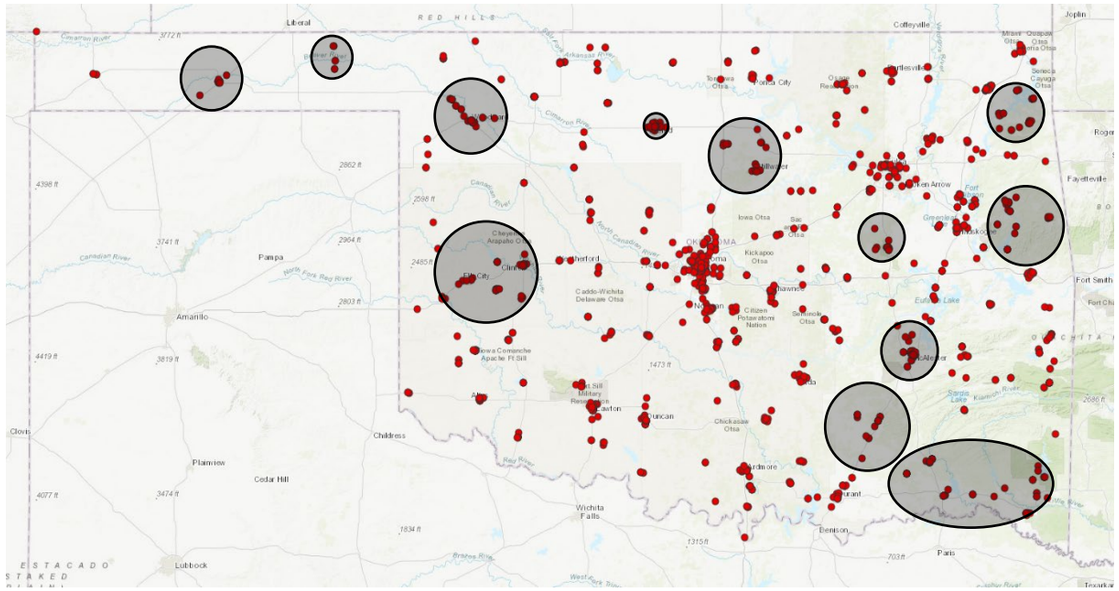
Increased Visibility – By locating a critical mass of agencies in strategically placed office buildings, the State will increase its overall visibility in the communities in which it serves. Increased visibility in the community will help to inform the customer of programs that are available to them and should increase access and utilization.

Convenience – Regional centers are destinations where most state business can be conducted without having to travel to the State Capitol. They are convenient for both state employees and customers as they are able to access a variety of agencies in a single location. As the State begins to adopt telework, they will serve as a central place for employees to convene for collaboration and access to State technology.

Increased Collaboration – Co-location of state agencies in regional centers improves collaboration among state agencies as they are able to easily meet to address issues that occur as part of regular business. Improved collaboration will help to breakdown information and process silos which benefits both state agencies and the customer.

Tenants should have compatible functions and space needs to operate effectively. For example, agencies that have significant face-to-face functions with their customers should be located together. Analysis should be completed to define the location of multi-agency regional centers should be strategic and driven by the specific needs of the agency and proximity to a critical mass of customers.

Map 5.13 Statewide Map of Facility Locations



6. Stacking Plans and Building Scorecards

Assessment of buildings toured in Oklahoma City and the development of Stacking Plans to visualize the overall use of the of the buildings. These buildings will be assessed further for renovation and consolidation in the Scenario Development section.

6. Stacking Plans and Building Scorecards Summary

6.1 Stacking Plans and Building Scorecards Summary

Stacking Plans are a macro way of looking at space utilization. The "Stack" is a visual representation of floor plans with unique features and occupants for each floor clearly identified. The purpose of the stacking plans and building scorecard are two-fold:

1. Understand occupancy in each building to later inform how agencies and departments may be reduced, relocated, or consolidated.

2. Triage State-owned buildings based on condition, efficiency, maintenance needs, functionality, and transportation access. This assessment helps identify buildings primed for agency occupancy today, those that may require additional investment, and those where a likely return on investment would not justify the capital spend to relocate an agency there.

6.2 Stacking Plans and Building Scorecards Process

JLL toured ten buildings in Oklahoma City. Most are located near the State Capitol except for DEQ, Health, and Sandridge.

JLL then created stacking plans for all the buildings toured to help identify and visualize "quick wins," opportunities for consolidation, and exiting leases. These stacking plans illustrate how agencies utilize space in each building and identify opportunities for either vacating or consolidating fragmented space.

Then, JLL scored several buildings by compiling and analyzing information from building floorplans, building tours, and OMES data. The higher the score, the better a building's condition, and the better it suits the agencies' needs. These scores provide a framework to prioritize which buildings to consider for disposition or renovation and consolidation.

6.3 Building Tours

These buildings are further analyzed in this report and will be the subject buildings for the scenario development model. Table 6.1 provides a summary of the toured buildings.

Touring these buildings provided an additional opportunity to learn more about the physical condition of the buildings and identify inefficient uses of office-space or non-office space such as parking, mechanical, support, and lab spaces. Across these 10 buildings, there is a total of 2,209,771 gross square feet. Of that square footage, 1,629,220 has been identified as specifically office-using rentable space. The average office RSF per employee is 308.

6.4 Building Tour Insights

DEQ leadership expressed their previous attempts to move out of their current building could improve their overall efficiency and provide a solution to their parking garage that is currently damaged. However, moving the labs presents a significant challenge that would likely require the construction of an entirely new lab.

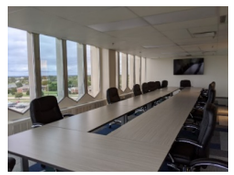
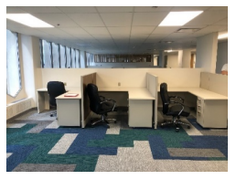
During the tour of the Jim Thorpe building, OMES stated that there are significant deferred maintenance issues that need to be addressed for long-term occupancy of the building. It was also pointed out that there are a number of underutilized and inefficient spaces within the building that contribute to the higher office SF per employee seen in Table 6.1.

Following the **DHS-led renovation of Sequoyah and the Agency's adoption of a telework policy, the number of employees assigned to Sequoyah nearly doubled** resulting in an office SF per employee of 172 which is almost half the average office SF per employee across these toured buildings. DHS is a true trailblazer in this area, setting an example for how other agencies become much more efficient without impacting the level of services they provide.

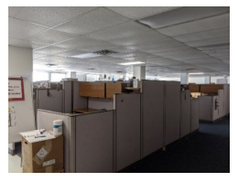
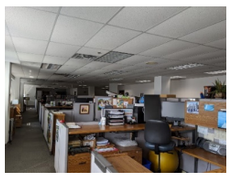
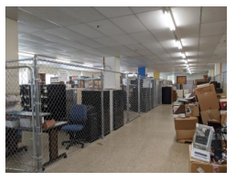
Table 6.1 Summary of Toured Buildings

Buildings Toured	Total SF	Office RSF	Employees	Office RSF per Employee
DEQ	348,245	239,242	498	480
Jim Thorpe	158,895	134,294	335	401
Will Rogers	170,536	151,415	426	355
Sandridge	495,000	363,000	1,046	347
Connors	142,577	-	-	
Hodge	120,779	110,134	357	308
Transportation	218,446	176,500	600	294
Sequoyah	176,120	154,764	900	172
Agriculture	98,713	64,718	362	179
Total	1,929,311	1,394,066	4,524	308

Efficient/Collaborative Spaces (Sequoyah)


Large Assigned Cubicles and Storage Space (DEQ)

6.5 Stacking Plans

JLL created stacking plans for all the buildings toured to help identify and visualize "quick wins" or opportunities for consolidation.

By example, the stacking plan for the ODOT building is seen in Graphic 6.2. It delineates "office" and "non-office" space. Within ODOT, 81% of the building is office-using space, while the remaining 19% makes up the mechanical/dock space and building maintenance. "Office space" includes workstations, conference rooms, breakrooms, and hallways/restrooms. Mechanical/maintenance rooms, loading docks, and support areas, and the Credit Union are considered "non-office space."

The stacking plans also provides a visual representation of the additional rentable square feet that can be achieved following the adoption of a telework policy. In this particular case, following the adoption of a 50% telework policy, the ODOT building can support up to 1,063 employees compared to the currently assigned 600 employees. That increase in productive capacity creates an opportunity to fill the ODOT building with an additional 463 employees. Sections 7 and 8 describe how a telework program can be developed and what the impacts are to the State following telework adoption.

Graphic 6.2 Transportation Building Stacking Plan

Transportation	
Building Owner	OMES
Agencies	Transportation
Building SF	218,446
Vacant SF	10,000
Office SF	176,500
Non-Office SF	41,946
Employees	600
SF / Employee	294

Rental Summary	SF
Office	
Hall/Restrooms	41,077
Snack Bar	957
Non-Office	
Mech/Dock	22,321
Building Maintenance	645
Atrium	3,980
Credit Union	15,000

Telework	RSF per FTE
ODOT Employees	600
Telework Adoption	50%
JLL RSF per FTE	166
ODOT Employees	600
50% Telework Gain	463
Supportable Employees	1,063

Floor	Current ODOT Stacking Plan		Office SF	Non-Office SF	Vacant SF
3	Transportation		54,612	-	-
2	Transportation		54,612	-	-
1	Credit Union	Transportation	39,612	15,000	-
Ground Floor	Vacant	Transportation	17,666	26,946	10,000
Total			166,500	41,946	10,000

Floor	ODOT Stacking Plan Following 50% Telework Adoption		50% Telework Adoption RSF Gain	ODOT Employees	Additional Supportable Employees
3	Vacant		54,612		329
2	Vacant	Transportation	22,289	195	134
1	CU	Transportation	-	239	-
Ground Floor	Transportation		-	167	-
Total			76,900	600	463

6.6 Building Scorecards

JLL scored the buildings listed on page 44 by compiling and analyzing information from building floorplans, building tours, and OMES data. The higher the score, the better condition the building is in, and the better it suits agency needs. Table 6.3 outlines the building scorecard criteria.

Physical Condition, Operating Expenses, and Deferred Maintenance were primarily determined using OMES provided data and information gathered during the building tours. These categories reflect a building's physical condition and cost to operate.

Office Efficiency reflects the vacancy and efficiency of office space. Office Functionality reflects how appropriate the space is to the needs of the agencies occupying it.

Lastly, Transportation is an assessment of public transit access to travel to these buildings and parking availability.

Each Sub-Category is scored from 0 to 5 ranging depending if the Sub-Category is assessed as Poor (0 to 2), Fair (>2 to 4), or Good (>4 to 5) in increments of 0.5.

The score for each category is the average of each of its Sub-Category averages. A building's Total Score is then the sum of its Sub-Category scores.

Table 6.3 Building Scorecard Criteria

Category	Sub-Category	Criteria	Source
Physical Condition	Age	Date of Last Major Shell or Infrastructure Renovation	OMES Provided Data
	Condition	Qualitative Description and Building Tour Assessment	OMES Provided Data and Building Tours
Operating Expenses and Deferred Maintenance	Occupancy Cost	Operating Expenses per SF if available	OMES Provided Data
	Deferred Maintenance	Assessment of deferred maintenace	OMES Discussions and Building Tours
Office Efficency	Vacancy	Based on building's vacany rate	OMES Provided Data and OMES Discussions
	Office-Space Efficiency	Based on square foot per Full-Time Employee	
Office Functionality	Exterior Quality	Building and Quality Appropriateness	Building Tours and Agency Interviews
	Interior Quality	Quality of Work Environment	
	Location	Adjacency to Frequent Collaborators (Internal & External)	
	Customer	Customer Experience	
	Space Flexibility	Layout suitability/Appropriate Space Mix	
	Collaborative Spaces	Availability & Quality of Collaborative Space	
	Security	Building Security Appropriateness	
	Technolgy	Technology Functionality	
	Amenities	Availability of building amenities	
Transportation	Public Transit	Access to Public Transit	Building Tours and Bus Transit Schedules
	Parking	Availability of Parking	

6.6 Building Scorecards Continued

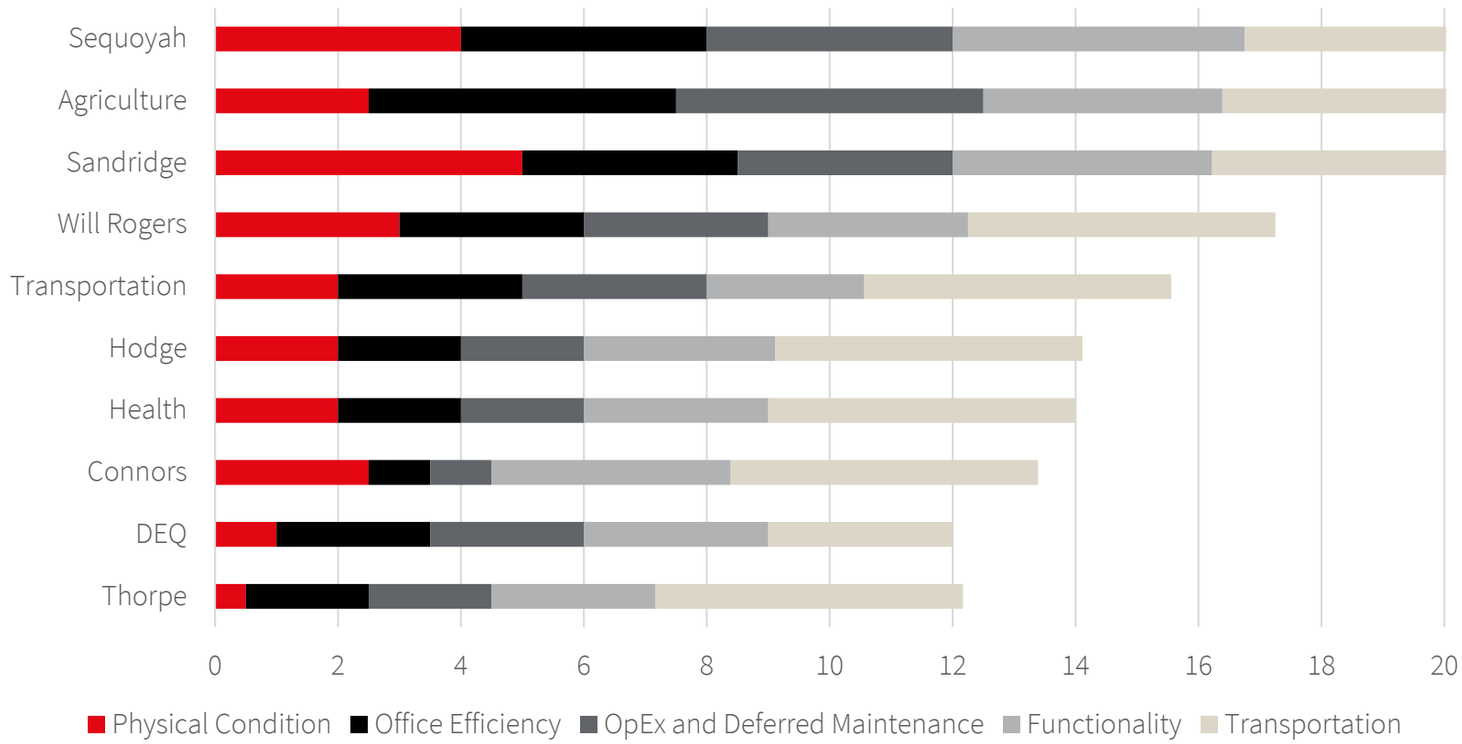
Overall, Sandridge, Sequoyah, and Agriculture are in the best physical condition, most efficient and functional, least costly to operate, and have good public transportation and parking access. Though the State has not expressly noted that it is because of this reasons listed here, JLL's assessment confirms that these properties are well-suited for accommodating state agencies.

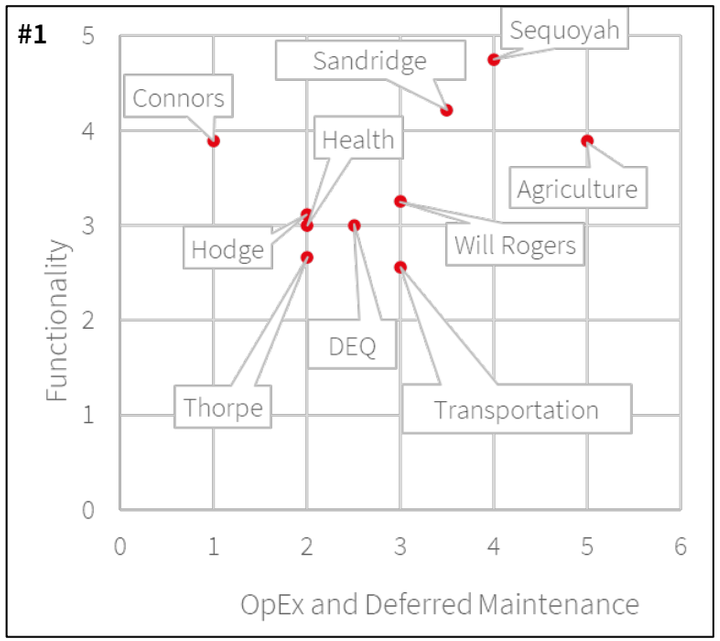
A building with a high score indicates an overall better fit and utilization of the using agency and physical condition of the building. Buildings with lower scores present opportunities for the State to make the buildings more efficient and functional for the using agencies.

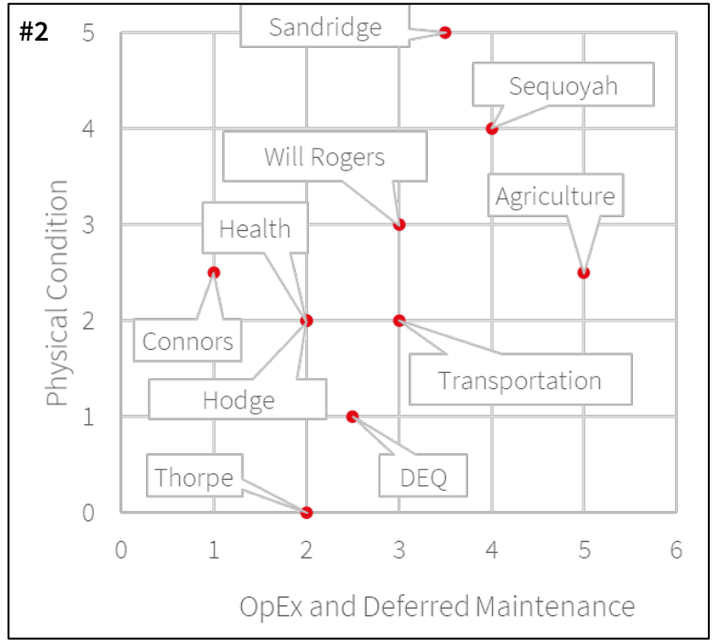
The physical condition of both DEQ and Thorpe largely contributes to the low scores. Connors and Health also rank toward the bottom primarily due to their condition and current vacancy as both of their previous tenants moved to Sandridge.

Although this scorecard reflects a building's overall condition and functionality, ultimately, the buildings prioritized in Section 8, Telework Scenario Modeling, were not based on this scorecard but direction from the State.

Chart 6.4 Building Scorecard Summary







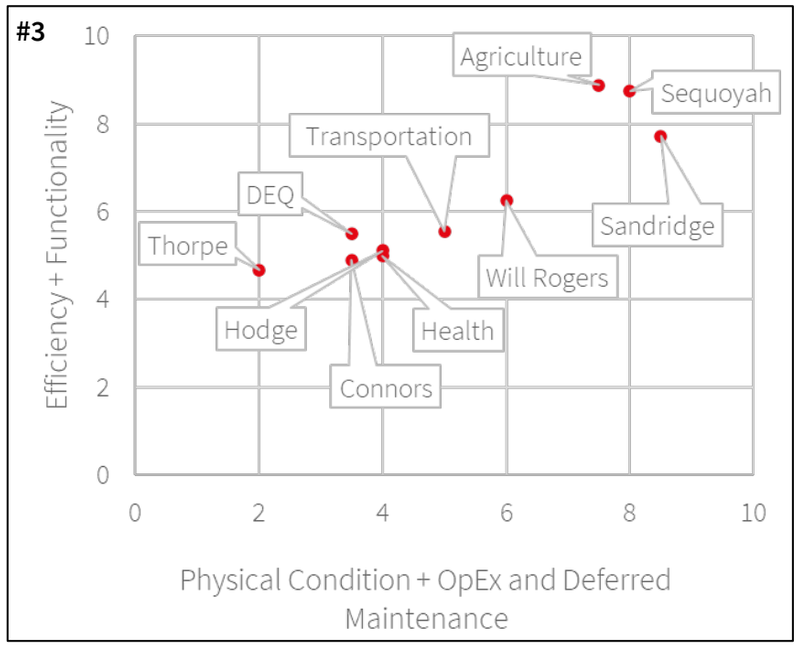


Chart #1 compares the score of Office Functionality with Operating Expenses and Deferred Maintenance. These category scores result in a clustered scatter plot in which Sequoyah and Sandridge are the two most functionally suitable for using agencies. When the Tax Commission occupied Connors, they had a higher operating cost per SF than the other large State-owned buildings.

Chart #2 compares the score of Physical Condition with Operating Expenses and Deferred Maintenance. Thorpe has the lowest physical condition score with a damaged basement space. Sequoyah and Sandridge are clustered more in the top right than the other buildings indicating good physical condition and a lower cost to operate.

Chart #3 compares the score of Physical Condition plus Operating Expenses and Deferred Maintenance with Office Efficiency and Functionality. Agriculture, Sequoyah, and Sandridge are clustered more in the top right than the other buildings indicating a higher overall assessment of the condition and space use within the buildings.

7. Telework Program Development

The following section seeks to outline the concept of telework and the policies and procedures that would support a robust telework adoption.

7. Telework Programming

7.1 Telework Overview and Introduction

According to the U.S. Office of Personnel Management, telework is a work arrangement in which an employee regularly performs officially assigned duties at home or other work sites geographically convenient to the employee's residence.

Over the past decade, the adoption of telework programs has grown in both the private and public sectors as employers seek to provide flexible work environments to recruit and retain top talent and to reduce real estate costs.

The forced adoption of telework in both the public and private sectors due to the COVID-19 pandemic has employers further evaluating their telework policies to adapt to a new work environment. This overnight change in how we work as a society has provided an unexpected yet critically vital opportunity to learn about the benefits and challenges of remote work on an unprecedented scale.

There are many lessons to be learned from this remote work experience, but a key finding is a broad realization that remote work has been quite effective for the vast majority of knowledge workers. For example, in August 2020, the Boston Consulting Group published findings from a survey of more than 12,000 professionals from the end of May through mid-June in the US, Germany, and India[i].

This survey explored attitudes toward flexibility, productivity (on individual, collaborative, and managerial tasks), well-being, career security, social connectivity, culture, learning and development, and the work tools they use. A surprisingly large number of respondents said they have been able to maintain or even improve their productivity. The responses also reveal a significant shift in employee expectations for the future of work, with a strong desire for flexible ways of working—and increased openness to this from managers. Some 75% of employees said that they have maintained or improved productivity on their tasks (such as analyzing data, writing presentations, and executing administrative tasks). On collaborative tasks (including exchanges with coworkers, working in teams, and interacting with clients), the number is lower. But even so, more than half—51%—of all respondents said they have been able to maintain or improve their productivity on collaborative tasks. These findings are not lost on business leaders. A recent PwC survey of 1,200 organizational leaders indicated that moving forward, almost 60% of businesses anticipate remote work will be an ongoing component of their workplace strategy, and 30% of those surveyed expected to be reducing their real estate holdings as a result.

There has also been a similar transformation in many public institutions' employee and management perceptions about remote work. For example, in 2019, the State of Utah embarked on developing a statewide real estate strategy. The strategy's key focus was to find ways to reduce the State's spend on real estate by reducing leased space, developing shared agency real estate centers, and implementing a statewide telework program.

i. BRG "What 12,000 Employees Have to Say About the Future of Remote Work", AUGUST 11, 2020 By Adriana Dahik, Deborah Lovich, Caroline Kreafle, Allison Bailey, Julie Kilmann, Derek Kennedy, Prateek Roongta, Felix Schuler, Leo Tomlin, and John Wenstru

7.1 Telework Overview and Introduction Continued

Before COVID-19, the State of Utah hoped that between 2019 and 2022, 8,000 state employees would volunteer to telework more than two days a week in exchange for giving up the right to a dedicated seat at the office. However, due to their remote work experience during COVID, the State exceeded this target adoption in the three months between April and June of 2020. This dramatic increase in the acceptance of remote work has also changed many agency leaders' prior perspectives against the idea of remote work from before the pandemic. This has led the State to re-examine its early space projections. Utah now believes it can take a much more aggressive approach to future space reductions and consolidation opportunities. They can pursue this in coordination with a redesign of their office standards to better support collaboration and social interaction.

Like Utah, Oklahoma has found the majority of its employees working remotely. Discussions with several agency leaders have found that this increased remote work has been surprisingly effective. Employees generally have viewed the experience positively, and, in some instances, productivity has risen demonstrably.

While most agency leaders provided anecdotal information regarding overall employee productivity and satisfaction, DHS had over 500 employees respond to a survey. The survey provides clear direction from employees that they are happy with this shift in telework and have been able to continue work productively. In some instances, productivity has increased.

Despite these positive findings, remote work is not a panacea, and few are foretelling the death of the office. Remote work will never satisfy our need for direct human connectivity. Although we may effectively perform our tasks and many of our team-based activities remotely, it cannot effectively replace the need to come together physically to build trust, mentor staff, nurture organizational culture and fully express the human experience. So, suppose the COVID-19 experience has taught us that we can do our work quite effectively remotely. In that case, we believe that moving forward, the greatest purpose that the office can fulfill will be to provide a place to come together to socialize, collaborate, and engage directly with our cohorts.

The successful experience of remote work suggests increased telework is here to stay, which in turn indicates the need for a transformational approach to reinventing how we design and use offices. Because of this, we believe now is the opportune time for the State of Oklahoma to take a fresh look at how it supports its workforce. Now is the time to re-imagine, test, learn, and ultimately reinvent how its office space is designed to integrate with remote work to enhance the work experience, improve collaboration and productivity, and reduce costs and the carbon footprint. These solutions will need to be explored using an integrated approach incorporating experts from architecture, real estate, virtual work technologies, human resources, and finance. In this section, we detail the fundamental aspect of a robust telework Program and show the potential savings in real estate derived from the widespread adoption of telework.

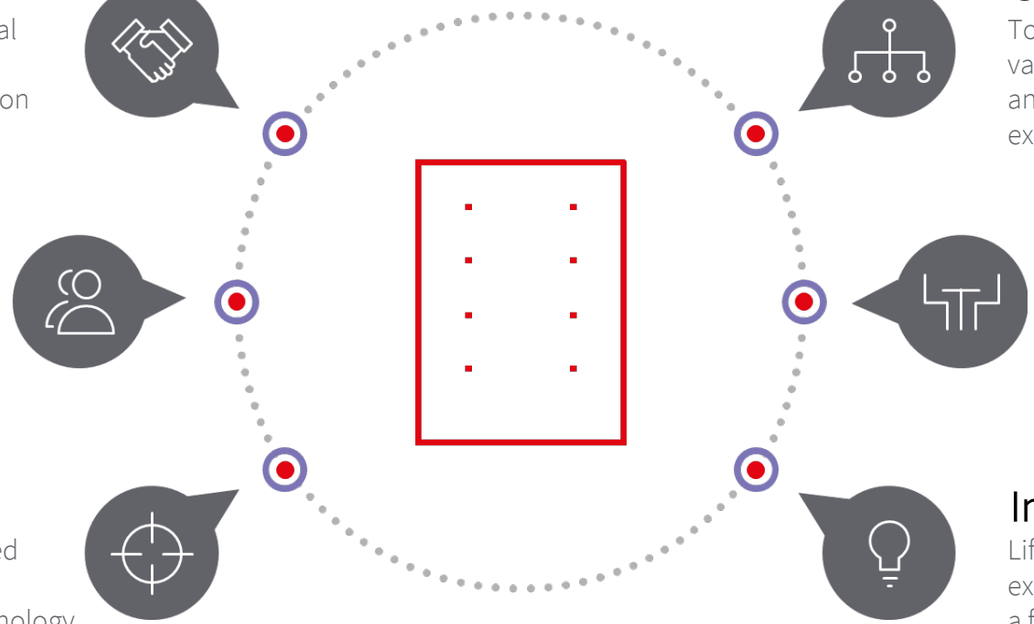
7.2 Redefining the Purpose of the Office

As work transitions to a more mobile and fluid environment incorporating remote work and office work, the office's purpose will evolve. The new office will serve as a central gathering point for teams to convene for collaboration and socialization. Since most State office layouts currently emphasize individual over team spaces, there is a need to redesign the office to provide more collaborative spaces in a telework environment.

Connect
Encounters to develop social bonds between teams - the power of personal connection

Culture
To reinforce the purpose and values through highly positive and engaging workplace experiences

Collaborate
The power of the team – bringing people together to create, develop and solve complex business challenges



Convene
Structured and extended group meetings where the power of in-person justifies bringing people together

Focus
Space for thoughtful focused individual work enabled by computers and digital technology

Innovate / Learn
Life-long learning combined with experiential learning with a focus upon innovation and enhanced skills development

7.3 Telework Program Scope and Limiting Conditions

Currently, the State does not have a comprehensive telework policy, and all telework initiatives are being implemented on an ad hoc basis by various agencies. A highly mobile workplace challenges many traditional norms for work, including management, performance metrics, technology requirements, real estate allocation, interior space design and training, culture, change management, and others.

For these reasons, we believe the State must thoughtfully develop a telework program and create supporting policies to ensure the implementation of a comprehensive telework strategy that incorporates best practices and ensures continuity within and between state agencies. If successfully implemented, this strategy can enhance employee productivity, support attraction and retention of state employees, lower energy usage, provide a vehicle for hiring staff from rural areas, and reduce real estate costs.

A comprehensive telework program impacts various disciplines and is at the intersection of HR, IT, and Real Estate. For a telework program to be successful, it is imperative to develop the program by considering all of these various impacts.

Because this study's scope is constrained to the State's real estate, we will only address telework impact on space design and utilization. However, JLL has listed some of the other considerations that should be analyzed in developing an overall Telework program and supporting policy.

Graphic 7.1 Telework Program Considerations

Human Capital

- Productivity and Performance metrics
- Communication protocols
- Training (Managerial and Staff)
- Attraction and retention strategy
- Employee satisfaction
- Change management program

Information Technology

- Appropriate home technologies and mobile devices
- Internet access
- Security
- Home office capabilities
- Collaboration technologies
- Ability to remotely schedule and manage office resources

Office Design and Real Estate

- Desk sharing ratios to accommodate full time office works and teleworker
- Reductions in individual space allocation and increased amount of collaborations spaces
- Increased janitorial requirements for shared spaces
- Requires technology to remotely schedule office resources and manage demand

Cost Impacts

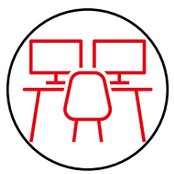
- Cost to design spaces suitable for fluid work environment
- Potential reductions in overall real estate through desk sharing

7.4 Telework Program Considerations

The first step to establishing a telework policy is gaining a full understanding of how employees work. Through surveys, focus groups, and interviews, answering the following questions is the first step to establishing a policy. These questions seek to understand which employees should telework, to what extent they should telework, and the design and configuration of work and collaboration spaces that support them when they come into the office.

How frequently are employees out of the office for work?

- Employees who frequently interface with clients or complete work duties outside of the office - outward facing employees - are good candidates for a telework program. These employees often have unpredictable schedules and/or may work off-site frequently for specific projects.



What type of work occupies the employee?

- Employees that spend a considerable amount of their time in focused, individual work, rather than in a team environment, are also good candidates for a telework program. This includes people whose roles are task-based or are self-sufficient.

Are there special circumstances or interests?

- Desires and/or demands for work/life balance can influence an employee's motivation to work mobility. Employees who want to reduce their commute time, work from home, or have other lifestyle needs fall in this category.

Is there sufficient technology to allow remote work?

- Working remotely requires investment in technology and the workplace by both the employer and employee. Employers must be able to provide the employee with the tools to complete their job – a laptop, cell phone, printer, etc. Employees must have a reliable internet connection and a homework environment that is suitable to the position.

7.5 Telework and Employee Work Styles

A vital outcome of the initial question set is understanding the nature of work for State employees.

Indeed, all jobs are not alike. Some jobs require high degrees of collaboration, whereas others have workers being primarily individual contributors. Some jobs require high mobility and outside collaboration, whereas others can accomplish their work in one location. Some jobs are very routine and follow consistent processes, whereas others need creativity and new ideas.

Therefore, there is no “one size fits all” optimal solution to support all state employee work habits. Different jobs will vary in their needs for space, mobility, interaction, and technology. Fortunately, research has shown that most work can be categorized into one of four major work styles shown in Graphic 7.2. Understanding these profiles is a way to think about their suitability for remote work and how to provide them the best office designs and technology to succeed both while teleworking and in the office.

After understanding the distribution of these work styles among an agency, that agency can then formulate a telework structure that is responsive to its employees and helps to facilitate all work styles.

Graphic 7.2 Employee Work Styles and Application to Telework

Adaptable
In the Office 3-5 Days / Week
Assigned Workstation
Employees who spend considerable time in their primary workspace and who have higher internal collaboration levels, often with immediate team members.

Typical workplace environments include primarily assigned and some unassigned individual workstations/offices within a neighborhood, supported by informal collaboration spaces and virtual collaboration tools in addition to traditional meeting spaces. Employees with this profile have the potential for telework but are not ideal candidates.

Mobile
In the Office 1-2 Days / Month
Unassigned Workstation
Employees who spend considerable time away from their primary workspace, potentially offsite, and have high internal collaboration levels often with immediate team members.

Typical workplace environments include assigned and mostly unassigned workstations/offices, supported by informal collaboration spaces and robust mobile and collaboration tools in addition to meeting spaces. Employees with this profile are potential candidates for telework if their work does not tie them to a specialized setting.

Resident
In the Office 5 Days / Week
Assigned Workstation

Employees who spend considerable time in their primary workspace with high levels of solo work, and lower collaboration levels often with immediate team members.

Work Environments include assigned individual workstations or offices within a neighborhood, supported by traditional meeting spaces. Employees with this profile could be candidates for telework if their work does not tie them to a specialized setting.

Remote
In the Office 1-2 Days / Week
Unassigned workstation

Employees who spend considerable time away from their primary workspace, often offsite, and often have lower internal collaboration levels beyond their team or their Department.

Typical work environments include unassigned workstations/offices, supported by traditional meeting spaces and robust mobile and collaboration technology. Employees with this profile are ideal candidates for telework.

7.6 Telework and Office Design and Space Allocation

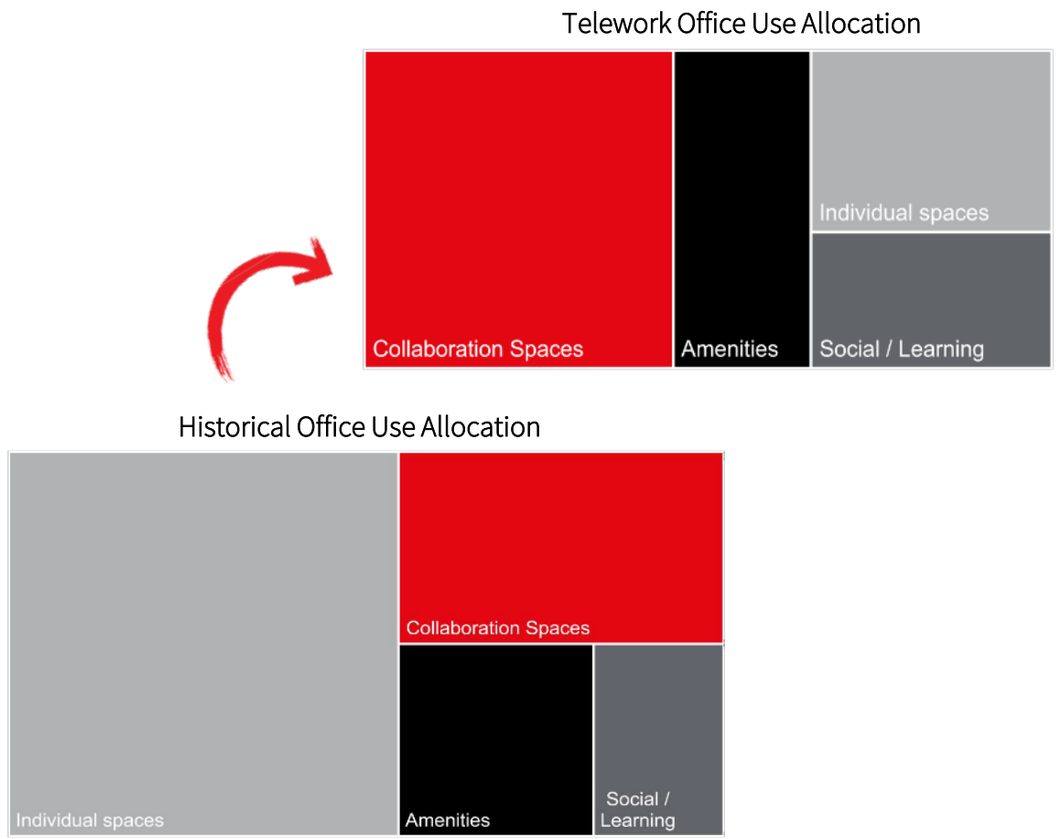
Widespread adoption of a telework program has several implications for how the State can best use its real estate portfolio. Notably, telework can lower the overall size and cost of the portfolio by increasing the number of employees that inhabit each space.

There are several key drivers that cause these impacts:

- The average occupancy levels of people in the office will be lower as large amounts of people will be working away from the office on any given day.
- Most programs require employees who telework more than twice a week to give up their right to a dedicated space and reserve an open pool of desks shared by all teleworkers. The introduction of desk sharing can lead to significant reductions in the amount of space allocated for individual work.
- Conversely, telework will increase the demand for shared spaces (conference rooms, informal group seating areas, etc.). The office becomes more of a place to have meetings, collaborate ad hoc/informally, and generally socialize. However, with fewer dedicated workstations and a greater ratio of desk sharing, even increased shared spaces result in a net decrease in total required space (Graphic 7.3 illustrates this dynamic).

The adoption of a more mobile work environment changes space needs. As a result, future space allocation decisions will need to reflect this contemporary environment and feature collaboration space over individual workspaces. This greater workspace allocation will focus on innovation, collaboration, learning, socialization, and employee experience.

Graphic 7.3 Telework Program Considerations



7.7 Telework Space Programming Approach

In order to illustrate the potential impact of a Telework program on the design and amount of office space required to support a workforce with a high degree of telework, JLL developed a sample office space program tool to be utilized when planning for future space needs. The space program tool is designed to improve building efficiencies, reduce costs, match space types and sizes to work requirements, leverage the deployment of telework, and promote flexibility. The program framework tool is comprised of four elements that when combined outline a space program that can be used when planning for space. The four elements include:

Space Size. Workspaces within the State of Oklahoma's portfolio vary greatly. They are generally reflective of the agency's needs and the period in which the State constructed the building and fit-out the space. As a result, workspaces tend to be larger than most current office space standards for contemporary work environments in both the public and private sectors. The sample program attempts to right-size workspaces to increase the overall efficiency of the work environment. This is accomplished by reducing the size of both offices and open workstations, reducing the overall demand for space. To accommodate for a decrease in personal workspace, additional collaboration space is required.

Workstation to Office Ratio. As the work environment has become more collaborative, space needs have changed to accommodate this new reality. Historically, office environments had a high ratio of private, enclosed offices. Contemporary work environments have fewer private offices and more open workstations to promote collaboration, provide transparency, provide access to natural light, and utilize space more efficiently. Furthermore, in highly mobile work environments, the number of assigned workspaces is reduced as employees will not be in the office enough to require a dedicated space. This increases workstation efficiencies and utilization of shared spaces.

Space Variety. To accommodate the changing work environment and increased mobility, the physical work environment needs to be updated. The current portfolio generally has a limited number of space types that primarily focused on individual spaces and larger conference spaces. These space types are a mismatch with a contemporary work environment, limiting the range of work activity. The State should provide various workspaces to match agencies' needs, enabling employees to choose spaces that best support their productivity while in the office.

Mobility/Telework. The nature of work for many state employees is highly mobile. Many conduct work in the field or at various locations. As a result, many spaces are underutilized. This creates inefficiencies in the real estate portfolio. Furthermore, the adoption of telework due to the COVID-19 pandemic has increased mobility, further exacerbating the problem. Increased mobility can be leveraged to reduce space needs by using shared spaces and, in particular, desk sharing. Mobile employees are not assigned a dedicated workspace and instead share a "hoteling" station when in the office. These shared workspaces have all the standard technology connections (docking station, monitors, phone, etc.) and can be reserved in advance. Scheduling software can even place members of the same team in the same location when they are in the office simultaneously for seamless collaboration.

The illustrative program that JLL developed (Section 7.12, Page 64) assumes that 50% of employees will be eligible for telework, and utilizes desk sharing and allocates collaborative space to reflect the mobile work environment. The following pages outline how the sample program was developed.

7.8 Workstation Size

A goal of the illustrative program is to increase space efficiencies. This can be accomplished by evaluating the size of the workstations that are provided to state employees. In this model, allocation of workspace area is based on the type of work activity and function, not position or title. Workstations can then be assigned or unassigned based on the employees' mobility.

Private Offices should be assigned for agency leadership or for employees who require privacy or secure work environments that cannot be accommodated in an open workstation.

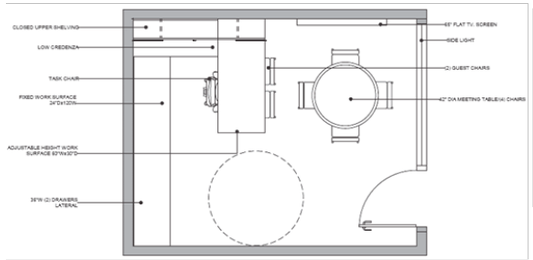
Open Office Workstations come in a variety of configurations as shown in Graphic 7.4. Small workstations are designed for mobile workers who need a place to touchdown while they are in the office. These "hoteling" stations should be fully equipped with technology for a seamless experience for the mobile worker. The medium and large workstations are for assigned employees and include technology and storage spaces that support their job requirements.

The recommended space allocations for offices and open workstations are shown in Graphic 7.4.

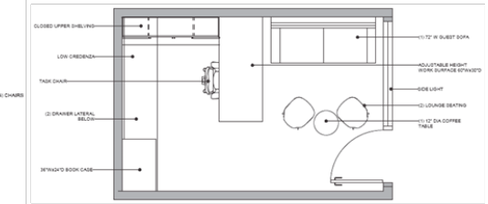
Graphic 7.4 Office Configurations

Private Offices

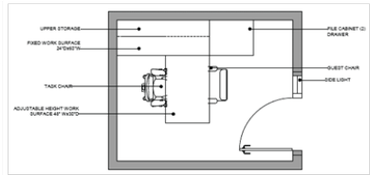
Executive Office
180 NSF



VP Office
150 NSF

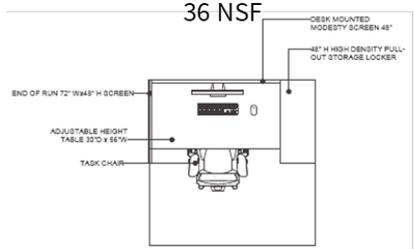


Standard Office
100 NSF

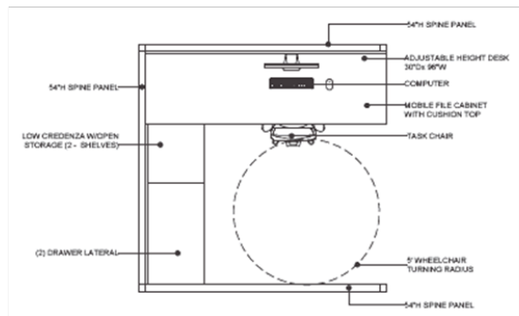


Open Office Workstations

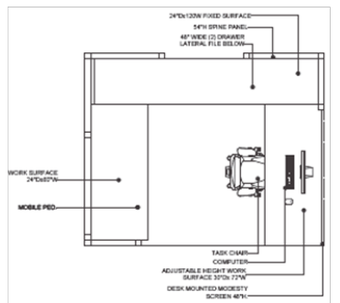
Small Workstation
36 NSF



Medium Workstation
64 NSF



Large Workstation
80 NSF



7.9 Collaboration Space

As the workplace shifts to a more mobile and collaborative environment, the office will require additional shared spaces to support employee productivity. Collaboration spaces include open sitting and teaming areas, enclosed team rooms, and conference rooms of all sizes. The need for privacy in the open office environment requires the provision of small phone booths or areas where employees can have confidential conversations.

To quantify how many collaboration seats are required, JLL applies a collaboration seat ratio to the number of required seats. As a general rule, as more employees adopt telework, more collaboration space is required.

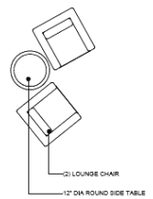
Collaborations spaces are then assigned according to the number of seats required. Chart 7.6 outlines the types and ratios per employee.

Chart 7.6 Collaboration Ratios

	0% Telework	25% Telework	50% Telework	75% Telework
Total Required Seats	100	90	79	69
Collaboration Seat Ratio	4.0:1	3.0:1	2.0:1	1.6:1
Required Collaboration Seats	25	30	40	43

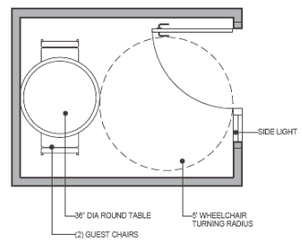
Graphic 7.5 Meeting Room Configurations

Informal Meeting Space
36 NSF



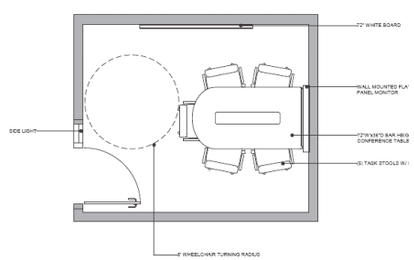
6 spaces / 100 employees

Phone Booth / Enclosed Meeting Space
48 NSF



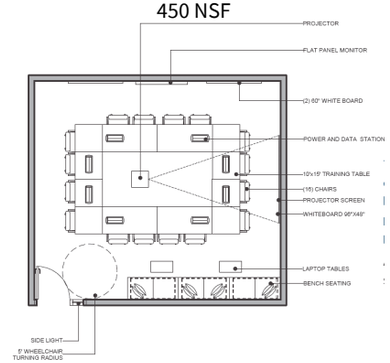
6 spaces / 100 employees

Medium Conference Room
260 NSF



4 spaces / 100 employees

Large Conference Room
450 NSF



1 space / 100 employees

7.10 Seat Count and Workstation to Office Ratio

The illustrative space program assumes the adoption of telework with desk sharing for mobile employees.

Seat Count Estimate

Development of the office space program begins with defining how many seats are required for the agency. The seat count estimate is determined though a combination of the number of employees assigned to the location with assumptions made for desk sharing among mobile employees. To estimate the number of seats required:

- Quantify how many employees are assigned to a given space
- Quantify what percentage of employees will telework
- Apply a seat sharing ratio [1.7 employees per seat in this example] for the total number of remote employees to quantity the required seat count

The desk sharing ratio of 1.7 can be adjusted based upon the mobile worker employees. Chart 7.6 illustrates the number of required seats based upon different levels of telework adoption.

Workstation to Office Ratio

Contemporary trends favor open workstations to private offices. However, there are instances where private offices are required due to:

- Privacy and confidentiality needs
- Security needs of the individual user
- Accessibility requirements

Chart 7.6 Telework Adoption Rate Comparison

	0% Telework	25% Telework	50% Telework	75% Telework
Total Employees	100	100	100	100
Resident Employees	100	75	50	25
Telework Employees	0	25	50	75
Seat Sharing Ratio	1.7:1	1.7:1	1.7:1	1.7:1
Telework Seats	0	15	29	44
Total Required Seats	**100**	**90**	**79**	**69**

	0% Telework	25% Telework	50% Telework	75% Telework
Total Required Seats	100	90	79	69
Private Offices (25%)	25	22	20	17
Open Offices (75%)	75	68	59	52

A baseline ratio of 25% private office / 75% open workstation is used for the ideal program but can be modified to meet the needs of the existing agency. The number of private offices to open workstations based on the percent of telework adoption is show in Chart 7.6.

7.11 Specialty and Support Space

In addition to work and collaborative space, agencies often require spaces that are unique to their purpose or mission. These spaces can include labs, libraries, hearing rooms, vaults, etcetera. Consultation with agencies is required to program these spaces.

Support spaces are also required to serve the needs of the workplace. Support spaces include but are not limited to break rooms, copy and print room, reception and waiting areas and lactation rooms. In addition, utility spaces are needed to serve the work environment including storage, computer closets, and utility rooms. The sample program provides the size and ratio at which these spaces should be accounted for. Design teams should consult with user agencies to ensure that all specialty space needs are accounted for.

Chart 7.7 Net Square Footage per Space Type and Associated Employee Ratios

Space	NSF	Ratio
Support Spaces		
Phone / Huddle Room (2 Seats)	48	1:15
Mother's Room	50	1:100
Training Room	450	1:500
Break Room	200	1:100
Social Hub / Café	720	1:200
Mail / Copy / Print / Supplies	125	1:50
Reception	400	1:150
Waiting Area	120	1:150
Utility Spaces		
Open Storage	2	1:1
Enclosed Storage	120	1:25
IDF / Computer Closet	120	1:200
Utility Room	120	1:150
Central Mail Room	480	-
Storage	250	1:150

7.12 Illustrative Program

To illustrate how the sample program can be utilized, a scenario for a 100-employee agency with 50% telework adoption shown in Chart 7.8.

With 50% telework adoption, 50 resident seats and 29 telework seats are required assuming the 1.7:1 desk sharing ratio. These workspaces account for 55% of the total program. Approximately 40 collaboration seats are required which equates to one large and four medium conference rooms. Collaboration space accounts for 17% of the total program.

Support space and utility spaces account for 15% and 12% of the program respectively. In total, the number of rentable square feet per FTE is 179.

The sample program forms the basis of the scenarios shown in the following sections.

Scenario 3: 50% Telework Adoption Assumptions		
Total Employees		100
% Telework Adoption		50%
Resident Employees		50
Telework Employees		50
Telework Seats Sharing Ratio	1.7 :1	29
Resident Seats		50
Total Required Seats		**79**
Private Offices	25%	20
Open Offices	75%	60
Collaboration Space Seat Target	2.0 :1	40
Grossing Factor (Circulation + Load)		1.65

Chart 7.8 Illustrative Scenario at 50% Telework Adoption

Work Spaces	% of Offices	NSF	Seats Required	Sharing Ratio	Spaces Needed	Total NSF	Total RSF	% USF
Private Offices								
Executive	-	180	1	1: 1	1	180	297	2%
VP	20%	150	4	1: 1	4	600	990	6%
Office	80%	100	15	1: 1	15	1,500	2,475	14%
Open Office Work Stations								0%
Small (Unassigned)	49%	36	50	1: 1.7	29	1,800	2,970	17%
Medium (Assigned)	51%	64	30	1: 1	30	1,929	3,184	18%
Large (Assigned)	0%	80	0	1: 1	0	0	0	0%
Total					**79**	**6,009**	**9,916**	**55%**

Collaboration Space	% of Space	NSF	Seats Required	Seats / Space	Spaces / 100	Total NSF	Total RSF	% USF
Informal Meeting Space (2 Seats)	30%	48	12	2	6	288	475	3%
Medium Conference Room (4-6 Seats)	50%	260	20	5	4	1,040	1,716	10%
Large Conference Room (7+ Seats)	20%	500	8	8	1	500	825	5%
Total			**40**			**1,828**	**3,016**	**17%**

Support Space	NSF	Seats Required	Ratio	Spaces	Total NSF	Total RSF	% USF
Phone / Huddle Room (2 Seats)	48	60	1: 15	4	192	317	2%
Mother's Room	50	79	1: 100	1	50	83	0%
Training Room	450	79	1: 500	1	450	743	4%
Break Room	200	79	1: 100	1	200	330	2%
Social Hub / Café	720	79	1: 200	0	0	0	0%
Mail / Copy / Print / Supplies	125	79	1: 50	2	250	413	2%
Reception	400	79	1: 150	1	400	660	4%
Waiting Area	120	79	1: 150	1	120	198	1%
Total					**1,662**	**2,742**	**15%**

Utility Spaces	NSF	Seats Required	Ratio	Spaces	Total NSF	Total RSF	% USF
Open Storage	2	60	1: 1	60	120	198	1%
Enclosed Storage	120	79	1: 25	3	360	594	3%
IDF / Computer Closet	120	79	1: 200	0	0	0	0%
Utility Room	120	79	1: 150	1	120	198	1%
Central Mail Room	480	79		1	480	792	4%
Storage	250	79	1: 150	1	250	413	2%
Total					**1,330**	**2,195**	**12%**

	NSF	RSF
Total	10,829	17,869
Per FTE	108	179

8. Telework Scenario Modeling

The following section seeks to outline the process for creating space programs required as a result of telework implementation.

8. Scenario Development

8.1 Methodology

To understand the impact the adoption of a Telework Program has on the State's real estate portfolio, JLL developed scenarios that incorporate telework adoption and more efficient space standards. In this Section, JLL has modeled a hypothetical real estate scenarios based on different rates of telework adoption and associated space utilization targets. These scenarios are then applied in Section 9 to demonstrate their implications to various consolidation scenarios for state office space. In addition to the example telework space designs, JLL considered the following information:

- Lease and Own Portfolio Tables: Merging of multiple sets of data (leased and owned rental rates, operating costs, floor plans, and property data).
- Building Scorecards: Assessments based off property data and observations from the building tours.
- Space Program Model: Programming standards modeled at different levels of telework adoption.
- Building Stacking Plans: Excel model of buildings highlighting the supportable number of employees per floor, and rentable and vacant SF. These stacking plans also highlight the impact of telework adoption on the number of supportable employees.

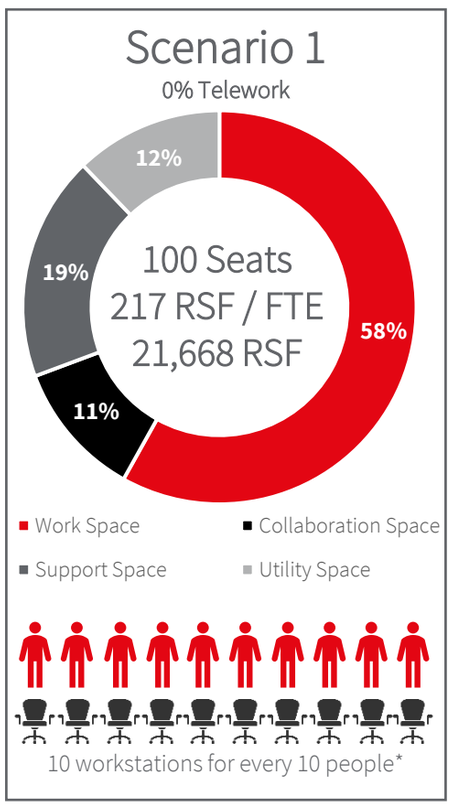
With these tools, JLL developed multiple scenarios with four master plan levers.

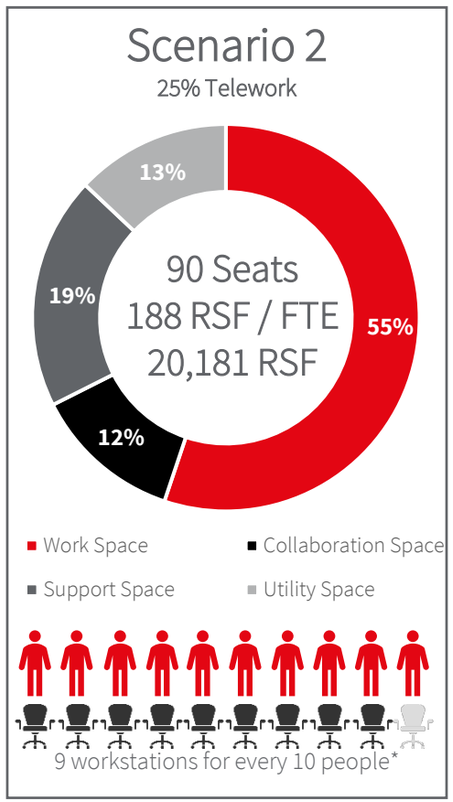
Master Plan Levers

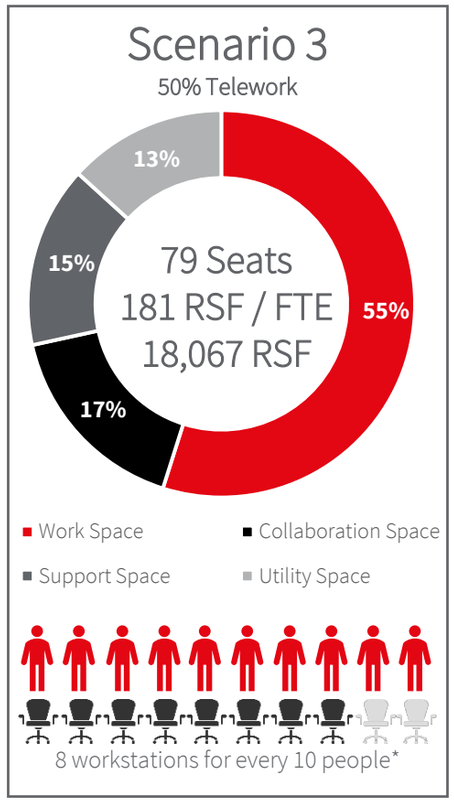
To meet the objectives of Space Master Plan, specifically to optimize space quality and efficiency, and to pass on the savings to the Agencies and the State, the following levers should be utilized:

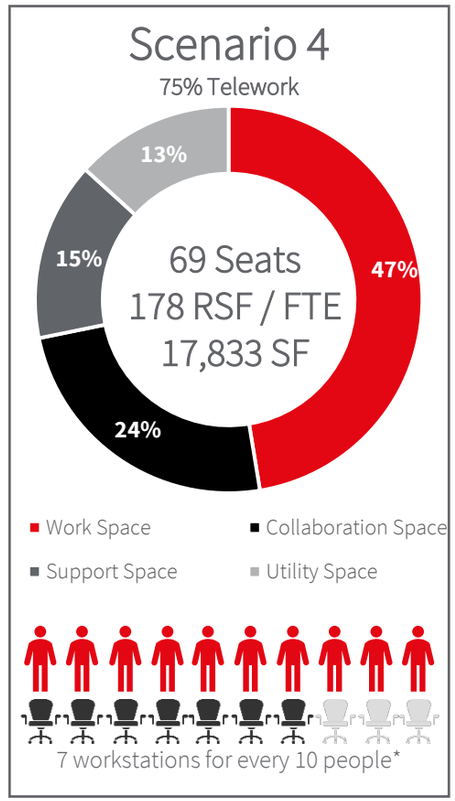
Adoption of Telework and Desk Sharing	Reduce Vacancy Through Consolidation	Renovate Space to be More Efficient / Effective	Move to Less Expensive Space
Widespread adoption of telework and utilization of desk-sharing	Eliminate vacancy in existing buildings by consolidating and moving in additional occupants	Renovate the interior of the buildings to more efficient space standards	Focus on moving out of more expensive space (primarily leased) into more affordable space (owned)
Benefit: Flexibility for employees, more efficient use of space, requires limited upfront cost	**Benefit:** Reducing the number of buildings and the associated cost, potential improved adjacencies	**Benefit:** More efficient and productive space with improved space and flexible workplace solutions	**Benefit:** Lower occupancy costs, consolidating into vacant space
Challenges: Requires change management (i.e, managing by metrics)	**Challenges:** Potential colocation of unsuitable agencies / functions, reduces additional room for growth	**Challenges:** Significant upfront costs, more progressive space standards require change	**Challenges:** Potentially moving from preferred locations

8.2 Master Plan Scenario Framework JLL developed a scenario framework based on the objectives outlined by the State of Oklahoma. The scenarios begin with the baseline, which is the status quo of the existing state and become more aggressive as renovations and telework are adopted. The scenarios shown below illustrate the impact the adoption of telework has on a 100-employee agency with respect to the number of seats required and RSF per FTE. RSF stands for Rentable Square Feet and FTE stands for Full Time Equivalent.









Least Transformational

Note: RSF / FTE figures shown are based on 100 employees.

Most Transformational

8.3 Telework Policy SF Impact

For this illustrative scenario, JLL is focusing on the 50% telework adoption scenario to highlight the impact the adoption would have on the State's Portfolio.

Table. 8.1 provides a summary of the impact of the adoption of a 50% telework policy. Across these 9 buildings, the RSF per FTE is 308.

The target RSF per FTE under 50% telework adoption is 165. However, RSF per FTE will differ slightly based on the number of people working in these buildings prior to telework adoption. The more people assigned to a building, the lower the RSF per FTE under 50% telework adoption.

Across these buildings in Table 8.1, there are 1.9 million total square feet supporting 4,524 employees. With 50% telework adoption, these buildings can support up to 9,250 employees creating an additional 780,000 rentable square feet.

Table 8.1 SF Impact Following 50% Telework Adoption

			Status Quo	50% Telework	Status Quo	50% Telework	50% Telework
Buildings Toured	Total SF	Office SF	RSF per FTE	RSF per FTE	Total Employees		Additional RSF Post Consolidation
DEQ	348,245	239,242	480	164	498	1,459	158,760
Connors	142,577			166		694	113,854
Hodge	120,779	110,134	308	166	357	672	58,483
Transportation	218,446	176,500	294	166	600	1,076	80,500
Agriculture	98,713	64,718	179	169	362	395	4,641
Jim Thorpe	158,895	134,294	401	164	335	819	58,688
Sandridge	495,000	363,000	347	161	1,046	2,269	200,260
Sequoyah	176,120	154,764	172	166	900	944	10,720
Will Rogers	170,536	151,415	355	164	426	923	94,247
Total	**1,929,311**	**1,394,066**	**308**	**165**	**4,524**	**9,250**	**780,154**

8.4 Scenario Development Approach

Following discussions with and feedback received from the State, **JLL modeled a scenario in which the State exits out of most of its leases in Oklahoma City and moves those tenants into State-owned buildings.**

In this scenario, agencies in leased spaces will move into the Connors, Agriculture, DEQ, ODOT, and Thorpe buildings. In doing so, we assumed these buildings would be reprogrammed and renovated to improve the productive capacity of the space following the adoption of a telework policy. (Note that there is already legislation related to DEQ relocating to another location).

JLL modeled the net financial impact to the State across 30 years. Over that 30-year period of analysis, there are three phases of exiting State leases and reprogramming and renovating State-owned buildings with 50% telework adoption.

The outcomes of this scenario are the Net Present Value and Net Cashflow across 30 years.

JLL worked with OMES to identify and prioritize leases that can be terminated. The State tenants in those spaces would then move to renovated State-owned buildings. The first building selected to undergo renovation is Connors as it is currently vacant following the Tax Commission's move to Sandridge.

The renovation of Connors is split into Phases 1 and 2. In the first phase, two floors of Connors will be renovated and in the second phase, the remaining three floors will be renovated. At 50% telework, Connors can support almost double the employees previously supported when the Oklahoma Tax Commission occupied the building.

A key component of the first phase is the analysis of the telework policy and its impact on employee productivity and satisfaction. Following feedback and analysis, the telework policies can be modified for the next phases.

8.5 Scenario Phasing

Phase 1: Renovate and reprogram two floors of Connors as Pilot followed by analysis pre-Pilot and 6-12 months after the Pilot.

Phase 2: Renovate and reprogram three floors of Connors.

Phase 3: Renovate and reprogram Agriculture, ODOT, and Thorpe as needed.

Graphic 8.2 Connors Stacking Plan

			Supportable # of Employees	
	Floor	Connors	Status Quo	50% Telework
Phase 2	5	Vacant	72	137
Phase 2	4	Vacant	72	137
Phase 2	3	Vacant	72	137
Phase 1	2	Vacant	72	137
Phase 1	1	Vacant	72	139
	Basement	Vacant	-	-
	Sub Basement	Vacant	-	-
	Total		361	686

8.5 Phase 1 and 2 Moves

Juvenile Affairs will exit two leases from two different locations. Since Juvenile Affairs is exiting out of the Santa Fe building, Alcoholic Beverage Licensing and Law Enforcement's (ABLE) lease in this building is also included in Phase 1.

Rehabilitation Services is the second most expensive lease identified in Oklahoma City that can be readily moved. Since Auditor & Inspector will require a safe, a move to Connors fits that requirements and will allow this agency to exit two leases. Given the security requirements, the Treasurer's Office was also selected to part of Phase 1.

Phase 1 consolidates 75,436 SF of leased space into just under 46,000 SF under 50% telework adoption and will save the State $1 million per year in rent.

Included in Phase 2 is the most expensive lease in Oklahoma City for a Mental Health space that costs the State $858,000 each year. There are also many boards that occupy small leased spaces. Phase 2 includes four of those boards that will be moved into Connors.

Phase 2 consolidates 102,700 SF of leased space into just under 68,500 SF under 50% telework adoption and will save the State nearly $1.3 million per year in rent.

Table 8.3 Phase 1 Source of Moves

Phase 1 - Source of Moves	Lease SF	Employees	50% Telework SF per FTE	Adjusted Destination SF	Avoided Annual Rent
REHABILITATION SERVICES	24,525	66	166	10,956	$300,431
JUVENILE AFFAIRS	11,816	79	166	13,114	$275,785
ABLE	10,034	25	166	4,150	$116,394
TREASURER'S OFFICE	10,316	23	166	3,818	$115,000
AUDITOR & INSPECTOR	10,236	46	166	7,636	$110,177
JUVENILE AFFAIRS	6,618	29	166	4,814	$72,798
AUDITOR & INSPECTOR	1,891	9	166	1,494	$22,295
TOTAL	75,436	277		45,982	$1,012,880
Leased SF per FTE	272				

Table 8.4 Phase 2 Source of Moves

Phase 2 - Source of Moves	Lease SF	Employees	50% Telework SF per FTE	Adjusted Destination SF	Avoided Annual Rent
MENTAL HEALTH	68,711	300	166	49,800	$858,888
MEDICAL LICENSURE BOARD	10,957	36	166	5,976	$142,441
NURSING BOARD	9,603	30	166	4,980	$109,680
CONSTRUCTION INDUSTRIES BOARD	9,272	36	166	5,893	$101,992
ACCOUNTANCY BOARD	4,184	11	166	1,826	$54,524
TOTAL	102,727	413	166	68,475	$1,267,525
Leased SF per FTE	249				

8.6 Phase 1 Financial Impact

With input from the State, JLL identified the net financial impact of Phase 1 with the assumptions outlined in Table 8.5. The rent and operating cost escalator will grow by 2% each year. The average operating cost per SF at Connors from 2017-2019 is $7.36.

The cost to move is $1,500 per FTE totaling at $416,000. For Phase 1, 277 FTE will be moving from leased spaces into the first two floors of Connors. The renovation cost is $150 per SF totaling at $6.86 million. Based off the bond interest rate and term of 3.5% and 30 years, the annual bond payment for the moves and renovation is $392,000. Over the course of 30 years, additional tenant improvement will cost $30 per SF and will occur halfway through this period of analysis.

The Net Financial Impact considers rent savings from leases exited, operating costs for the first two floors of Connors, an annual bond payment for the cost of the move and renovation, and a tenant-improvement refresh in Year 15. **Over the course of 30 years, the net present value of Phase 1 is $8 million and the overall net financial impact is $14.4 million.** Lastly, the average annual savings per SF over the first 10 years is $7.71. Currently, the State does not effectively charge agencies for the cost of deferred maintenance. Under this scenario, these are savings that the State could dedicate towards deferred maintenance.

Table 8.5 Phase 1 Assumptions

Phase 1 - Two Floors of Connors	
Esclator	2%
Operating Costs PSF	$7.36
Cost to Move	$1,500 per FTE
FTE from Lease Exits	277
Cost to Move	$416,000
PSF Renovation Costs	$150
SF to Renovate	45,722
Cost to Renovate	$6,858,000
Bond Interest Rate	3.5%
Bond Term	30
Annual Bond Payment	$392,000
TI Refresh	Year 15
TI Refresh Cost PSF	$30

Table 8.7 Phase 1 Net Financial Impact

Net Financial Impact	
30-Year NPV	$7,960,000
30-Year Net Financial Impact	$14,304,000
Square Feet Renovated	45,722
Years 1-10 Avg. Annual PSF Net Financial Impact	$7.62

Table 8.6 Phase 1 Cashflow

Net Financial Impact	Year 1	Year 5	Year 10	Year 15	Year 20	Year 25	Year 30
Rent Savings	$1,013,000	$1,097,000	$1,211,000	$1,337,000	$1,476,000	$1,630,000	$1,800,000
Operating Costs	($337,000)	($365,000)	($403,000)	($445,000)	($491,000)	($542,000)	($599,000)
Bond Payment	($392,000)	($392,000)	($392,000)	($392,000)	($392,000)	($392,000)	($392,000)
TI Refresh				($1,372,000)			
Total	$284,000	$340,000	$416,000	($872,000)	$593,000	$696,000	$809,000
Cumulative	$284,000	$1,557,000	$3,483,000	$4,441,000	$7,217,000	$10,488,000	$14,304,000

8.7 Phase 2 Financial Impact

With input from the State, JLL identified the net financial impact of Phase 2 with the assumptions outlined in Table 8.8. The rent and operating cost escalator will grow by 2% each year. The average operating cost per SF at Connors from 2017-2019 is $7.36.

The estimated cost to move is $1,500 per FTE totaling at $619,000. For Phase 2, 277 FTE will be moving from leased spaces into the remaining three floors of Connors. The renovation cost is $150 per SF totaling at $10.3 million. Based off the bond interest rate and term of 3.5% and 30 years, the annual bond payment for the moves and renovation is $587,000. Over the course of 30 years, additional tenant improvement will cost $30 per SF and will occur in Year 16 of this analysis.

The Net Financial Impact considers rent savings from leases exited, operating costs for the first two floors of Connors, an annual bond payment for the cost of the move and renovation, and a tenant-improvement refresh in Year 16. **Over the course of 31 years, the net present value of Phase 2 is $8.2 million and the overall net financial impact is $11.9 million.** Lastly, the average annual net financial impact per SF is $5.82 over Years 2-11. The phase 1 per SF savings amount was higher because the leases in Phase 1 had a higher lease SF per FTE due to less efficient programing in the leased spaces.

Table 8.8 Phase 2 Assumptions

Phase 2 - Three Floors of Connors	
Esclator	2%
Operating Costs PSF	$7.36
Cost to Move	$1,500 per FTE
FTE from Lease Exits	413
Cost to Move	$619,000
PSF Renovation Costs	$150
SF to Renovate	68,475
Cost to Renovate	$10,271,000
Bond Interest Rate	3.5%
Bond Term	30
Annual Bond Payment	$587,000
TI Refresh	Year 16
TI Refresh Cost PSF	$30

Table 8.10 Phase 2 Net Financial Impact

Net Financial Impact	
30-Year NPV	$8,240,000
30-Year Total	$11,938,000
Square Feet Renovated	68,475
Years 2-11 Avg. Annual PSF Net Financial Impact	$5.82

Table 8.9 Phase 2 Cashflow

Net Financial Impact	Year 1	Year 5	Year 10	Year 15	Year 20	Year 25	Year 31
Rent Savings		$1,372,000	$1,515,000	$1,673,000	$1,847,000	$2,039,000	$2,296,000
Operating Costs		($545,000)	($602,000)	($665,000)	($734,000)	($811,000)	($914,000)
Bond Payment		($587,000)	($587,000)	($587,000)	($587,000)	($587,000)	($587,000)
TI Refresh							
Total		$240,000	$326,000	$421,000	$526,000	$641,000	$795,000
Cumulative		$864,000	$2,318,000	$4,229,000	$4,589,000	$7,560,000	$11,938,000

8.7 Phase 1 and 2 Financial Impact

The following set of charts combine the impacts of both Phase 1 and 2.

The Net Financial Impact considers rent savings from leases exited, operating costs for the first two floors of Connors, an annual bond payment for the cost of the move and renovation, and a tenant-improvement refresh in Year 16. **Over the course of 31 years, the net present value of Phase 1 and 2 is $14.6 million and the overall net financial impact is $27.47 million.** Lastly, the average annual net financial impact per SF is $5.08 over Years 1-10.

Table 8.11 Phase 2 Assumptions

Connors Renovation	
Esclator	2%
Operating Costs PSF	$7.36
Cost to Move	$1,500 per FTE
FTE from Lease Exits	690
Cost to Move	$1,034,000
PSF Renovation Costs	$150
SF to Renovate	114,197
Cost to Renovate	$17,130,000
Bond Interest Rate	3.5%
Bond Term	30
Annual Bond Payment	$979,000
TI Refresh	Year 15
TI Refresh Cost PSF	$30

Table 8.13 Phase 2 Net Financial Impact

Net Financial Impact	
31-Year NPV	$14,563,000
31-Year Total	$27,467,000
Square Feet Renovated	114,197
Years 1-10 Avg. Annual PSF Net Financial Impact	$5.08

Table 8.12 Phase 2 Cashflow

Net Financial Impact	Year 1	Year 5	Year 10	Year 15	Year 20	Year 25	Year 31
Rent Savings	$1,013,000	$2,469,000	$2,726,000	$3,010,000	$3,323,000	$3,669,000	$4,132,000
Operating Costs	($337,000)	($910,000)	($1,005,000)	($1,110,000)	($1,225,000)	($1,353,000)	($1,525,000)
Bond Payment	($392,000)	($979,000)	($979,000)	($979,000)	($979,000)	($979,000)	($587,000)
TI Refresh	$0	$0	$0	($1,372,000)	$0	$0	$0
Total	$284,000	$580,000	$742,000	($451,000)	$1,119,000	$1,337,000	$2,020,000
Cumulative	$284,000	$2,421,000	$5,801,000	$8,670,000	$11,806,000	$18,048,000	$27,467,000

8.8 Phase 3 Moves

JLL and the State identified the leases to be exited and owned buildings to dispose of in Phase 3.

Leases were prioritized based on similar location, lease costs, and agency requirements. Buildings to be disposed of were identified by State. Since the DHS Service Center is not predominantly office-occupying, the adjusted destination square feet in Table 8.12 reflects the current SF minus the difference of an assumed 308 SF per FTE and the 50% telework adoption target of 166 SF per FTE.

Phase 3 consolidates 39,066 SF of leased space into 23,904 SF under 50% telework adoption and will save the State $0.48 million per year in rent. Phase 3 will also support the move of 101 employees in owned locations into approximately 16,800 SF of renovated space. The average SF per FTE across these leases is 271.

The owned buildings selected for disposition have a mix of vacant, inefficient, or redundant space. For example, since OMES already owns a Data Center, shifting DHS data services over to the OMES Data Center will create less redundancy.

The State should identify additional targets for relocation following phase 3 as these moves will not result in full utilization of the core identified state-owned buildings.

Table 8.14 Source of Moves from Owned Locations

Phase 3 - Source of Moves	Predominant Use	Agency	Building SF	Employees	50% Telework SF per FTE	Adjusted Destination SF
DHS Data Services Building	Office	DHS	47,427	45	166	7,470
DHS Service Center	Non-Office	DHS	14,556	8	166	10,764
Central Office - 1200 NE 13th	Office	Mental Health	51,160	30	166	4,980
Central Office - 1311 N Lottie	Office	Mental Health	3,200	-		-
Central Printing Office	Office	OMES	6,500	18	166	2,988
TOTAL			122,843	101		26,202

Table 8.15 Source of Moves from Leased Locations

Phase 3 - Source of Moves from Leased Locations	Lease SF	Employees	50% Telework SF per FTE	Adjusted Destination SF	Avoided Annual Rent
CHILDREN AND YOUTH	6,046	22	166	3,569	$72,798
CORRECTIONS DEPARTMENT	4,489	22	166	3,652	$44,890
COSMETOLOGY AND BARBERING	3,448	16	166	2,656	$50,231
FIRE MARSHAL	3,253	17	166	2,822	$40,662
REGIONAL UNIVERSITY SYSTEM	2,970	6	166	996	$38,610
FIREFIGHTERS PENSION &	2,829	10	166	1,660	$43,849
REHABILITATION SERVICES	2,436	5	166	830	$21,924
PARDON AND PAROLE BOARD	2,375	10	166	1,660	$32,062
LONG TERM CARE BOARD	2,195	3	166	498	$27,437
LIQUEFIED PETROLEUM GAS	1,993	5	166	830	$21,923
MOTOR VEHICLE COMMISSION	1,203	4	166	664	$15,038
MENTAL HEALTH	1,038	3	166	498	$12,975
FUNERAL BOARD	950	3	166	498	$11,700
PRIVATE VOCATIONAL SCHOOLS	800	2	166	332	$9,520
LICENSED SOCIAL WORKERS	725	2	166	332	$8,700
DISABILITY CONCERNS	679	6	166	913	$8,827
UNIFORM BUILDING CODE	627	3	166	498	$11,601
BEHAVIORAL HEALTH	550	4	166	664	$5,500
SPEECH-LANGUAGE PATHOLOGY	460	2	166	332	$5,290
TOTAL	39,066	144		23,904	$483,538

8.9 Phase 3 Financial Impact

With input from the State, JLL identified the net financial impact of Phase 3 with the assumptions outlined in Table 8.13. The rent and operating cost escalator will grow by 2% each year. The average operating cost per SF of Agriculture, ODOT, and Thorpe from 2017-2019 is $5.40.

The cost to move is $1,500 per FTE totaling at $368,000. For Phase 3, 144 FTE will be moving from leased spaces and 101 FTE will be moving from owned spaces into Agriculture, ODOT, and Thorpe. Those 245 employees need 50,106 SF. The renovation cost is $150 per SF totaling at $7.5 million. Based off the bond interest rate and term of 3.5% and 30 years, the annual bond payment for the moves and renovation is $425,000. Over the course of 30 years, additional tenant improvement will cost $30 per SF and will occur in Year 18 of this analysis.

The Net Financial Impact considers rent savings from leases exited, operating costs, an annual bond payment for the cost of the move and renovation, and a tenant-improvement refresh at Year 18. **Over the course of 30 years, the net present value of Phase 3 is $0.04 million, and the overall net financial impact is $0.76 million.** The net proceeds from disposition of the identified properties are not factored into this net financial impact.

Lastly, the average annual net financial impact per SF is negative over Years 4-14. The impact is lower in this Phase because there are fewer rent savings in this model as the State is also exiting out of owned spaces and moving those employees.

Table 8.16 Phase 3 Assumptions

Phase 3 - Agriculture, ODOT, Thorpe	
Esclator	2%
Operating Costs PSF	$5.40
Cost to Move	$1,500 per FTE
FTE from Lease Exits	245
Cost to Move	$368,000
PSF Renovation Costs	$150
SF to Renovate	50,106
Cost to Renovate	$7,516,000
Bond Interest Rate	3.5%
Bond Term	30
Annual Bond Payment	$425,000
TI Refresh	Year 18
TI Refresh Cost PSF	$30

Table 8.18 Phase 3 Net Financial Impact

Net Financial Impact	
30-Year NPV	$37,000
30-Year Total	$761,000
Square Feet Renovated	50,106
Years 4-14 Avg. Annual PSF Net Financial Impact	($0.51)

Table 8.17 Phase 3 Cashflow

Net Financial Impact	**Year 1**	**Year 5**	**Year 10**	**Year 15**	**Year 20**	**Year 25**	**Year 33**
Rent Savings		$523,000	$577,000	$638,000	$705,000	$778,000	$913,000
Operating Cost Savings		$144,000	$159,000	$174,000	$193,000	$213,000	$250,000
Operating Costs		($293,000)	($323,000)	($357,000)	($394,000)	($435,000)	($510,000)
Bond Payment		($425,000)	($425,000)	($425,000)	($425,000)	($425,000)	($425,000)
TI Refresh							
Total		($51,000)	($12,000)	$30,000	$79,000	$131,000	$228,000
Cumulative		($109,000)	($249,000)	($183,000)	($1,260,000)	($710,000)	$761,000

8.10 Total State Savings

The previous financial impacts were framed from the agencies' perspectives. In these tables, the savings are framed from the State's perspective. The State generates revenue from operating expenses paid by agencies occupying State buildings and avoids rent costs from leases exited. Since the phases all started in different years, the overall analysis runs for 33 years. **The 33-Year NPV is $39.2 million and the net financial impact over this period is $75.6 million following the renovation of 164,000 SF.** Even after the costs of renovation and moving state agencies from leased spaces, the State is generating an additional $9 per SF annually across this square footage.

JLL modeled a Scenario in which the State adopts a Telework Program involving both renovation and adoption of telework policies to increase the number of assigned employees to key State buildings. In this Scenario, the State adopts a 50% telework policy in which 50% of employees work in the office 2 days per week. Phase 1 and 2 result in a fully renovated and reprogrammed Connors. Phase 3 results in the State exiting out of most of its leases in Oklahoma City utilizing just 23,000 SF of renovated space. Of the buildings included in Phase 3, if there were more leases that could be exited or owned buildings to be disposed of , Thorpe, and Agriculture, and ODOT could be fully renovated and through consolidation and 50% telework adoption, create an additional 108,000 SF of available space.

Table 8.19 Net Financial Impact

Total State Net Financial Impact	
33-Year NPV	$39,217,756
33-Year Total	$75,611,000
Square Feet Renovated	164,303
Years 1-10 Avg. Annual PSF Net Financial Impact	$9.04

Overall State Savings	Year 1	Year 5	Year 10	Year 15	Year 20	Year 25	Year 33
Current State Rents							
Rent from Leases Exited	$1,013,000	$2,992,000	$3,303,000	$3,648,000	$4,028,000	$4,447,000	$5,212,000
Owned Building OpEx	$337,000	$1,055,000	$1,165,000	$1,287,000	$1,422,000	$1,570,000	$1,840,000
Operating Costs	($353,850)	($1,107,750)	($1,223,250)	($1,351,350)	($1,493,100)	($1,648,500)	($1,932,000)
TI Refresh				($1,372,000)			
Phase 1 Bond Payment	($392,000)	($392,000)	($392,000)	($392,000)	($392,000)	($392,000)	$0
Phase 2 Bond Payment		($587,000)	($587,000)	($587,000)	($587,000)	($587,000)	$0
Phase 3 Bond Payment		($349,000)	($349,000)	($349,000)	($349,000)	($349,000)	($349,000)
Total	$604,150	$1,611,250	$1,916,750	$883,650	$2,628,900	$3,040,500	$4,771,000
Cumulative	$604,000	$6,423,000	$15,382,000	$24,597,000	$33,553,000	$47,918,000	$77,899,000

8.11 Alternative Telework Scenarios

Even without adopting telework, consistently using the current state policy for space utilization would have a significant impact on overall space demand and cost. When including a telework program that requires desk sharing for those who telework more than 2 days a week, these space savings become more pronounced

Tables 8.18 and 8.19 compares the increased space utilization and net financial impact of all four telework scenarios and three renovation and consolidation phases. By reducing the rentable SF per FTE from 308 SF to between 176 SF and 210 SF with 100 employees, the State can gain 3,160 additional employees in these buildings. Introducing telework then increases efficiency and supportable headcount. At 25% telework, 3,806 employees can be supported compared to the status quo. At 50% telework, an additional 4,365 employees can be supported. At the most aggressive, 75% telework adoption, an additional 5,696 employees can be supported in these buildings.

The more aggressive the telework adoption, the less space is required to house employees and this will result in higher net financial impacts to the State. While the previous analysis focuses on 25% adoption, if the State should push a more aggressive policy, both efficiency and cost savings will increase accordingly.

Table 8.20 Supportable Employees Following Adoption of Telework Programs

Buildings Assessed	Total SF	Office SF	*Current Employees	Supportable Employees			
				0% Telework	25% Telework	50% Telework	75% Telework
DEQ	348,245	239,242	498	1,273	1,391	1,459	1,673
Connors	142,577	113,854	361	602	651	694	796
Hodge	120,779	110,134	357	583	626	672	770
Transportation	218,446	176,500	600	949	1,014	1,076	1,234
Agriculture	98,713	64,718	362	341	370	395	453
Jim Thorpe	158,895	134,294	335	703	767	819	939
Sandridge	495,000	363,000	685	1,962	2,123	2,269	2,574
Sequoyah	176,120	154,764	900	823	884	944	1,082
Will Rogers	170,536	151,415	426	810	865	923	1,059
Total	1,929,311	1,507,920	4,524	8,045	8,691	9,250	10,581
Gain in Employees following Telework Adoption				3,160	3,806	4,365	5,696

*This table reflects the Tax Commission's previous occupation at Connors before the Tax Commission moved its 361 employees to Sandridge. With that, the impact at Connors of adopting telework programs is also shown here.

Table 8.21 Net Financial Impact

Scenarios	Phase 1		Phase 2		Phase 3		Combined		
	Destination SF Required	30-Year NPV	Destination SF Required	30-Year NPV	Destination SF Required	30-Year NPV	Destination SF Required	33-Year NPV	Avg. Annual PSF Impact
0% Telework	52,630	$5,695,000	78,375	$4,128,000	55,602	($4,777,000)	186,607	$35,637,671	$7.13
25% Telework	48,752	$7,014,000	72,600	$6,592,000	52,396	($3,764,000)	173,748	$37,798,951	$8.20
50% Telework	45,722	$7,960,000	68,475	$8,240,000	50,106	$37,000	164,303	$39,217,756	$9.04
75% Telework	40,996	$9,646,000	61,050	$11,521,000	45,984	($1,822,000)	148,030	$42,169,652	$10.93

8.12 Statewide Portfolio Recommendations

Pilot Consolidation of Portfolio: The State of Oklahoma should develop a pilot project to test the performance of the new workplace strategy prior to full implementation. The pilot project should be large enough to make an impact that can be qualitatively and quantitatively evaluated, but small enough to manage efficiently. The components of the strategy to implement the pilot project should reflect the State of Oklahoma's goals and objectives with respect to portfolio optimization and include the following:

Workplace standards that are based on the activity of the users rather than rank of seniority. Contemporary work environments feature fewer private offices and more open workstations to promote collaboration and accommodate more mobile employees. As a result, space needs have changed to feature more spaces for convening such as conference rooms and teaming areas. The pilot project should be based on a space program that incorporate mobile employees and a collaborative work environment.

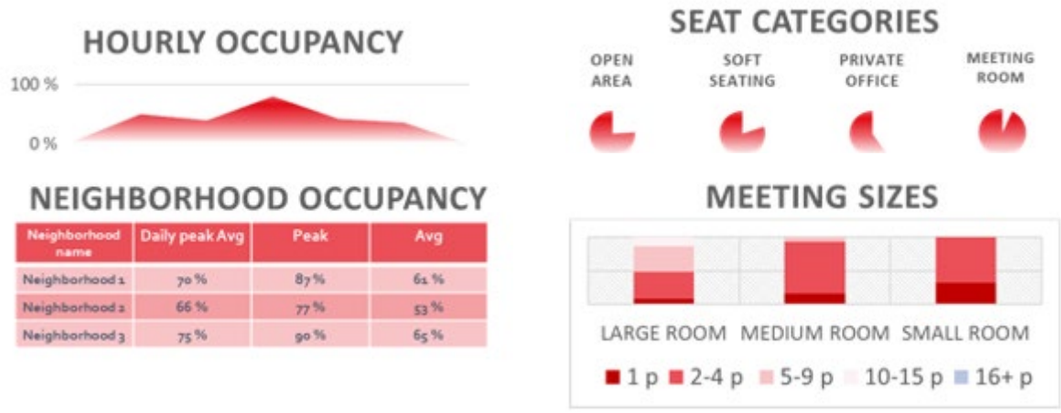
Utilization Targets - Real estate is an expensive but necessary asset. Therefore, it is important to ensure that an organization is using only as much space as is needed to efficiently and effectively support operations. In the private sector, workplace utilization in terms of seats (offices and workstations) per SF have significantly reduced over the past twenty years and today are around 200 – 220 Rentable Square Feet (RSF) per seat, or around 170 - 190 Useable Square Feet (USF). One of the ways many government organizations have created policies to ensure an efficient use of space is to set a maximum "square foot to FTE" metric while providing the subdivision (or agency) with flexibility as to how they design and outfit the space as long as they are at or below the overall SF/FTE target.

Telework and Mobility – The adoption of telework programs have grown in both the private and public sectors in the last decade as employers seek to provide flexible work environments to recruit and retain top talent and to reduce real estate costs. The COVID-19 pandemic has employers further evaluating their telework policies to adapt to a new work environment. The pilot project should include desk sharing targets to reflect a mobile workforce. JLL recommends that the pilot project target 50% telework of employees from the pilot agency.

JLL recommends that OMES consider renovating and reprogramming two floors of the Connors building as the pilot project. Approximately 12 months after the pilot project is up and running, technology should be leveraged to analyze how the space is performing compared to other state office spaces. The comparative analysis should examine overall utilization of workspaces and collaboration spaces, hours of use, meeting sizes, and operation and maintenance costs to identity if efficiency targets have been met as shown in Graphic 8.22 below. Focus groups and user surveys should be conducted to understand how the end user satisfaction and utilization.

After thorough analysis of the pilot project, the State can refine its workplace strategy to incorporate the lessons learned before portfolio-wide adoption.

Graphic 8.22 Sample Utilization Analysis



9. DHS Case Study

The following section is an outline of the telework adoption and resulting space reduction as pursued by the State of Oklahoma's Department of Human Services department. It serves as a case study for how other agencies can adopt telework policies to reduce their real estate footprints and save money while remaining productive and able to work towards agency goals and objectives.

9. Department of Human Services Case Study

9.1 Introduction: Prior to the COVID-19 Pandemic, the Department of Human Services (DHS) committed to wide-sweeping changes aligned with True North goals to the organization's overall structure, portfolio and telework policies. DHS is faced with a 4% budget reduction ($28 million) for 2021 while operating remotely for most of 2020. Faced with that budget shortfall and the pandemic, DHS has developed a series of solutions:

1. Adopt Service First Model to meet the True North goal of meeting constituents where they are to provide resources.

2. Renovate Sequoyah to support a mobile work environment allowing wide-scale adoption of telework practices.

3. Exit 12 owned and 31 leased buildings across the State and consolidate employees to owned facilities to increase utilization and reduce occupancy costs.

9.2 Service First Model: DHS realized that the pandemic presented an opportunity to implement a telework policy that will not only help with the budget shortfall but improve the overall working experience for DHS employees. The Service First Model had cascading impacts for the entire agency:

- Thirty-five counties will no longer have a dedicated DHS office, leaving 34 remaining customer-facing offices.

- Two-thirds of DHS employees are assigned to a DHS office in their current county.

- Despite a reduction in DHS offices, one-third of employees will work at partner locations to further embed DHS staff into their communities and save money on real estate. Partners include churches, service organizations, libraries, local governments, and hospitals.

- Each DHS employee will have a state-issued cell phone and laptop to be able to perform job requirements in a remote work environment.

9.3 Telework: Survey: The Service First model includes a telework plan as standard operation moving forward. Although the pandemic sped up this process, telework has been a key component of the True North goals and Service First model. As part of the telework adoption, DHS employees were asked to complete a survey completed by over 500 DHS employees in September 2020.

Most of the responses were positive and it is clear DHS employees have been satisfied with their telework experiences. The results of the survey as outlined in table 9.1 show that telework can improve employee's perception of their productivity, job satisfaction, and work life balance. Not all employees responded unanimously, however. Work will still need to be done by managers to ensure that the 26% of employees who indicated that their work life balance did not improve remain engaged and productive.

Table 9.1 DHS Survey Response

Response	Prompt
93%	Want to continue teleworking after the pandemic.
89%	Indicated they have good communication with their supervisors.
87%	Indicated DHS has successfully communicated changes in the agency.
83%	Believe responsiveness to inquiries from customers and partners have stayed the same or improved.
82%	Indicated their job duties are good for teleworking.
82%	Stated that their telework experience has improved since the start of the pandemic.
80%	Indicated their job satisfaction has stayed the same or improved.
74%	Indicated their work life balance stayed the same or improved.

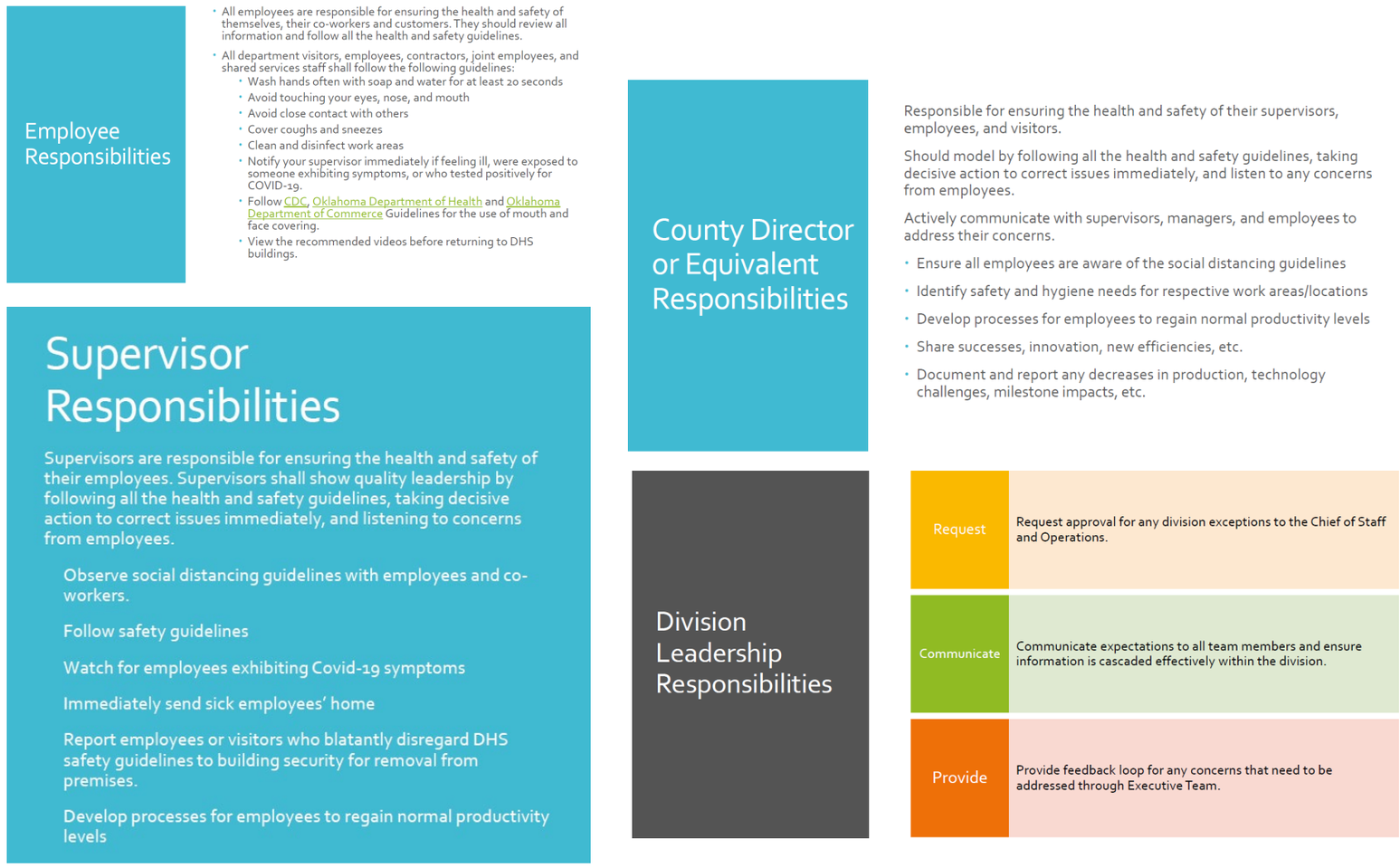
9.4 Communication Plan

To manage the transition to telework, DHS adopted a communications plan to address the new normal in which telework is a central component. The communications approach spreads across multiple tools including Navigator, Yammer, Teams, and InfoNet News.

While DHS is adopting a new normal, DHS also separated the responsibilities of this new normal particularly focused on pandemic safety amongst Employees, Supervisors, County Directors, and Division Leaders to ensure that the communication plan is consistent.

Each category provides a list of responsibilities to create a system of accountability that allows for an effective feedback loop for changes to be made as issues arise. Responsibilities for each employee type are shown in Graphic 9.2.

Graphic 9.2 DHS Communication Plan



9.5 COVID-19 Response Plan and the New Normal

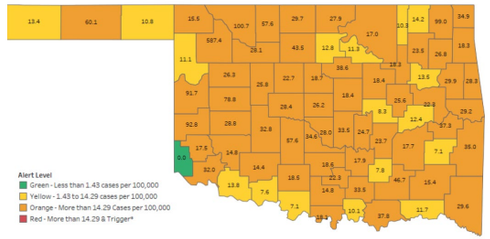
DHS developed a telework system that directly ties to Oklahoma's COVID-19 Alert System. As cases are updated county-to-county, an alert level is assigned each week which allows for employees to quickly see the status of their work location. The Alert System has 4 levels:

1. Green is **New Normal** which limits employees to only 2 days at the office per week. The New Normal will be the new telework policy moving forward.
2. Yellow is **Low Risk** which limits building occupancy to 50%.
3. Orange is **Moderate Risk** which limits building occupancy to 30%.
4. Red is **High Risk** which limits building occupancy to 10%.

Across all four levels, the only function that remains the same are for **core building functions**. Core functions include:

- Administrative Functions such as printing "essential documents", picking up a fleet car, or digitizing files.
- Customer Focused Functions such as parent-child visitation, family team meetings, and child safety emergencies.

Graphic 9.3 COVID Alert System



Allowable and Approved Functions and Activities	New Normal	Low Risk	Moderate Risk	High Risk
Core Building Functions (previous slide)	✸	✸	✸	✸
Maximum Scheduled Building Occupancy	Unless there is an approved exception, staff may only use hoteling space up to 2 days per week	50%	30%	10%
Maximum gathering/meeting space occupancy	100%	50%	30%	10%
Monthly Unit Meetings <10 people (always offer remote option)	✸	✸	Limited first by capacity of the collaborative space ✸	
New Employee Onboarding (including weekly meetings the 1st month)	✸	✸	✸	
Investigative Interviews (OIG and OCA)	✸	✸		
Court Functions (CSS)	✸	✸	✸	
Use of outside DHS space	✸	✸	✸	
Serving customers w/o technology	✸	By Appointment Only	By Appointment Only	By Appointment Only
Provider Office Conferences (CCS)	✸	✸		
KIDS, FACS, OSIS, and CCM data entry (when systems and connections fail)	✸	✸	✸	
On a case-by-case basis, when all efforts to solve technology challenges have failed	✸	✸	✸	

9.6 DHS Portfolio Moves

DHS owns and leases 110 locations across the State and employs 5,881 people. Across the 2.6 million SF of occupied space, 1.7 million SF is office space. The average SF per FTE across the DHS office portfolio is 289.

Owned properties and bond projects make up 55% of the DHS portfolio square footage and 35% of the DHS portfolio locations.

Leased locations make up 45% of the DHS portfolio square footage and 65% of the DHS portfolio locations. On average, leased spaces are smaller at 16,000 SF versus the average size of the owned spaces at 38,000 SF.

In response to the budget shortfall and COVID-19 pandemic, DHS is exiting out of 12 owned buildings and 31 leased spaces across three phases. Of the leases DHS is exiting, the average size of a leased location is 9,000 SF and 12,400 SF for owned locations that are planned for disposition.

DHS will also generate both rent savings from exited leases and income after selling off owned buildings.

After all three phases of lease exits and building dispositions, DHS will reduce their annual rent for leased space by almost 20%, a total of $1.9 million in annual rent savings.

Table 9.4 DHS Portfolio Moves and

Portfolio	Locations	% of Locations	SF	% of Total SF
Owned and Bond Projects	38	35%	1,437,785	55%
Leased	72	65%	1,170,001	45%
Total	110	100%	2,607,786	100%

Exits	Locations	SF	FTE	SF per FTE
Owned Buildings	12	149,310	472	316
Leased Locations	31	280,674	1,031	272
Total	43	429,984	1,503	294

Portfolio	Annual Total
Annual Rent Savings	$1,911,357
Remaining Annual Rent	$7,893,002

9.7 Sequoyah Building Renovation

In addition to the moves outlined in section 9.6, DHS renovated the Sequoyah building and nearly doubled the number of people assigned to the building. This was achievable with the adoption of a telework policy that limits the number of days DHS employees work in the office.

Before the renovation, there were 557 employees assigned to Sequoyah resulting in an office SF per full-time employee of 278. Following the DHS-led renovation of Sequoyah and the Agency's adoption of a telework policy, the number of employees assigned to Sequoyah nearly doubled to 900 resulting in an office SF per employee of 172.

9.8 DHS Case Study Conclusion

DHS has shown how a large agency can consolidate their real estate footprint by leveraging telework policies and renovation of space to support those policies. These actions have allowed the agency to save money and ensure that employees are able to be productive and able to work towards achieving agency goals and objectives in a new highly mobile work environment.

10. Peer Benchmarking

This section seeks to compare the State of Oklahoma to other similarly positioned entities.

10. Peer Benchmarking

10.1 Introduction

To understand how the State of Oklahoma's space policies and utilization compare to other states, JLL conducted a preliminary benchmark analysis. The analysis focused on the policies and practices employed in other states to identify how they manage their portfolio and have adapted to a mobile work environment. JLL's benchmark analysis relied on data from the States of Utah, Colorado, and Tennessee. Below is a summary of the findings with respect to the outlined focus areas.

10.2 Space Allocation / Assignment Process

The benchmark states manage space assignment and allocation in a variety of different ways. Specific findings include:

- Utah - Space is assigned centrally through the Department of Facilities and Construction Management (DFCM). The quantity and location of space is determined through consultation with the agency to understand their programmatic and adjacency needs. DFCM generally requires agencies to abide by the state's existing space standards for both state-owned and leased spaces. Tenant improvements on state-owned facilities and lease-negotiations of private buildings are managed by DFCM.

- Tennessee - There is a central real estate group for the General Government agencies, State of Tennessee Real Estate Asset Management (STREAM). STREAM works with all state agencies regardless of jurisdiction to buy/sell real estate, develop and manage capital projects, lease space, manage properties and interior design. The state has typical office standards that are considered maximums for assigned spaces and space requests must fall within the standard.

- Colorado - Space is assigned through the Office of the State Architect (OSA). Colorado has a target space allocation of 232 RSF/Seat. However, they do not have any space standards for workstations or collaboration space. That said, if an agency is requesting more than the 232/RSF, they need approval from their director and OSA. The desired space, regardless of ownership, must be in alignment with the agency's space master plan in order to receive capital construction funding or the permission to lease. Colorado's enforcement of the policies is limited which allows agencies to make most decisions with respect to their space.

10.3 Chargeback Policies

All benchmark states have policies for chargeback to the agencies for their space. Specific findings include:

- Utah – State agencies are charged by DFCM for their occupancy costs in state-owned and leased facilities. Tenants in state-owned facilities are charged for operations and maintenance costs only as capital costs are typically funded through the state appropriation process. DFCM pays the rent for leased spaces and agencies are charged for their occupancy costs.

- Tennessee – The State of Tennessee has a Facilities Revolving Fund (FRF), which means that agencies are like tenants and pay rent to FRF. Rent includes utilities, maintenance, janitorial, furniture, move costs from one lease to another, etc. The rent rate is established per county and is based off a yearly market analysis study and approved by the State Building Commission.

- Colorado - Agencies in state-owned buildings are charged for the operations and maintenance of their space. The chargebacks are administered though the Department of Administration and Personnel.

10.4 Facilities Management

The benchmark states provide facilities management in a variety of different ways. Specific findings include:

- Utah – Facilities Management is generally managed centrally through DFCM. DFCM's services are comprehensive and include maintenance, energy management, custodial, and central support for internal contracting and accounting. There are exceptions for certain agencies or entities (such as corrections or higher education) that handle their own facilities maintenance.
- Tennessee – The State of Tennessee employs a hybrid facilities management approach. FM for the FRF centrally-managed office space is performed by JLL, but some agencies also have additional real estate (non-FRF) that they manage, and the FM for that space is handled by the individual agencies. Some of those agencies have opted to utilize the JLL FM contract, but it is up to each agency to determine who performs FM for their non-FRF space.
- Colorado – Facilities Management services are handled centrally by the Capitol Complex Facilities Management (CCFM) for state-owned buildings. Facilities Management includes maintenance, custodial, energy management, planning, and real estate services.

10.5 Adoption of Telework

Telework has been adopted by all benchmark states, especially in light of the COVID-19 Pandemic. Specific findings include:

- Utah – In 2019, the State of Utah implemented a telework program with a targeted adoption of 30% of eligible employees enrolling in the program. The goals of the program were to create a flexible work environment to help with the recruitment and retention of employees, downside or repurpose underutilized space, and to reduce vehicle emission from state employees. Participation in the telework program surged as a result of the COVID-19 pandemic with great success. It is now expected that approximately 40% of the state's workforce will continue to telework after the pandemic.
- Tennessee – In 2016, the State of Tennessee launched Alternative Workplace Solutions program. The program identified employees who qualified for telework and in exchange for their assigned workspace, they were allowed to work remotely almost full time. To accommodate remote workers, the state provided $18.5 million in funds to provide technology and renovate spaces to meet their needs.
- Colorado – The State of Colorado Flexible Work Arrangement program that allows telework for eligible employees. Similar to the other states, the programs goals are to provide a flexible work arrangement to recruit and retain top employees, increase efficiencies, reduce traffic congestion, and to reduce space needs. The program has experienced wide-scale adoption as a result of the COVID-19 pandemic and the state is looking to see how its further utilization can minimize space needs in the future.

10.6 Square Feet per FTE

Portfolio data metrics were available for the State of Utah and Tennessee. On a rentable square feet (RSF) per person, Utah and Tennessee have an average of 347 and 317 RSF/person respectively. To understand how the space allocations compare to the Private Sector, JLL referenced its 2018-2019 Occupancy Planning Benchmark Guide. JLL surveyed 69 large corporate organizations to understand how they use their space to identify industry space utilization benchmarks. Analysis of RSF per person by industry revealed a range between 158 and 425 RSF/person. The public agencies within the data set had an average RSF/person of 175.

Industry	RSF per person	RSF per seat
Communications	158	137.5
Consumer Products	350	244
Financial Services	183	161
Healthcare	267	292
Industrial	217	192
Insurance	237.5	158
Life Sciences	218	212.5
Non-Profit	175	175
Professional Services	425	217
Public Sector	175	175
Restaurants	225	350
Technology	225	174
Utilities	262.5	200

Office Space Density by Industry, JLL 2018-2019 Occupancy Planning Benchmark Guide

NASCA Benchmark Data

JLL is currently in the process of conducting a national space allocation and telework benchmark survey with the National Association of State Chief Administrators (NASCA). The research will identify how states have implemented telework policies as a result of the COVID-19 pandemic and identify the lessons learned. The results of the research will be shared with the State of Oklahoma when it is complete in 2021.

11. Facilities Management

11. Facilities Management

11.1 Facilities Management Scope

JLL was tasked with reviewing the State's facilities management (FM) costs, practices, and general approach. JLL assessed total operating costs for OMES-managed buildings and reviewed Will Rogers in detail to assess a target FM cost compared to the State's actual costs. JLL also reviewed OMES, DHS, DEQ, and OSBI FM practices to gauge each agencies' approach to planning, technology, staffing, and maintenance. However, we were only provided cost data for OMES managed facilities

11.2 Facilities Management Process

JLL assessed the State's FM practices using two approaches:

1) JLL assessed the State's operations and maintenance costs for OMES managed buildings as these were the only buildings for which we were provided detailed information. JLL approached the cost assessment in two ways:

    a) JLL analyzed facilities data by each cost sub-category and compared these costs to benchmarks from a combination of government, private sector, and internal data. These subcategories include:

General maintenance	Chiller maintenance	Water treatment	Elevator maintenance	Fire/Life Safety
Building Automation	Custodial	Grounds	Pest Control	Trash Removal

    b) OMES also provided JLL with a detailed inventory of equipment and facilities at Will Rogers. JLL used this information to craft a "bottom-up" cost assessment which estimates a target cost-to-operate for Will Rogers and then compares this estimate to actual operating costs. This exercise is limited to maintenance costs only, but includes all costs for preventative maintenance, service calls, recurring/renewal/replacement maintenance.

    Between the benchmarking of OMES-managed buildings, and the detailed operating cost estimate for Will Rogers, JLL was able to determine where OMES may be able to be more efficient. However, lacking cost data from other agencies, JLL's assessment is limited to the OMES portfolio.

2) JLL also held interviews with FM professionals at OMES, DHS, DEQ, and OSBI. These interviews, structured as "O&M Health Checks," assessed each agency's approach to people, process, systems, technology, and governance. JLL provided follow-up questionnaires to FM leadership at each agency with the intent of using these questionnaires to assess each agency's FM practices and offer means of improvement. However, JLL only received completed questionnaires from OMES, DHS, and OSBI within the requested timeframe. Therefore, JLL's assessment of FM practices is limited to these agencies.

11.3 Facilities Management Findings

Building Operating Costs

Operations and Maintenance Benchmarks

Overall, the State operates at an average of $5.07/SF in OMES-managed buildings.* JLL's benchmark for total operating costs, including all subcategories (general maintenance, chiller maintenance, water treatment, elevator maintenance, fire/life safety, building automation, custodial grounds, pest control, trash removal), is between $3.20/SF and $6.37/SF. As such, OMES operates its building within, though somewhat at the higher end, of JLL's benchmarks.

There are some important trends that drive overall operating costs somewhat higher than benchmarks:

- OMES general maintenance costs are high, with most at or above the high-water-mark of $3.00/SF. Several buildings greatly exceed this amount, namely Connors, Thorpe, Judicial, LEED, and the Tulsa Building.
- Many (though not all) also have higher-than average fire/life safety inspection and maintenance costs: Banking, ISD, Judicial, LEED, Pharmacy, and Sequoyah.

Will Rogers Cost Exercise

The costing exercise for the Will Rogers building confirms this trend. Based on data provided by the state, general maintenance costs at Will Rogers average $3.06 per square foot. By comparison, JLL estimates that Will Rogers could be maintained more efficiently and for a per square foot cost of $2.52.

**Excludes utilities*

Operations and Maintenance Cost Conclusions

As noted, State operates at an average of $5.07/SF in OMES-managed buildings. Though within benchmarks, this cost is at the higher end. JLL compared the State's operating costs to other state portfolios across the country. JLL maintains data on the State of Utah's portfolio, and JLL also manages the portfolios for the States of Illinois and Tennessee. In addition, JLL manages a 981,000-sf building for the State of Ohio.

Excluding janitorial costs, as JLL does not provide those services to IL, TN, or OH, operating costs for these states are as follows:

- State of Utah: $2.90/SF
- State of Illinois: $2.90/SF
- State of Tennessee: $2.71/SF
- State of Ohio: $2.22/SF

Excluding janitorial, OMES's costs to operate its portfolio is an average of $3.62/SF. Therefore, JLL believes that there is considerable opportunity for the State to explore ways to reduce its operating costs moving forward.

11.3 Facilities Management Findings Continued

FM People, Process, Technology, and Governance

Regarding overall FM processes, OMES and other State of OK facilities management organizations are operating essentially independently and are not managed uniformly employing maintenance management best practices.

Also, while OMES rates its FM practices as "Predictive" with a strong desire to progress to "Reliability," JLL assesses that OMES is closer to the "Planned" category. That is, OMES is successfully fixing problems before they fail, but could improve processes around predicting and planning repairs. OMES could also improve processes to eliminate defects, improve precision, consider redesigns where appropriate, and extract greater value from its systems. For more discussion, please see Section 11.6 and Chart 11.5.

Similarly, DHS self-rated as an organization overall between the "Planned" and "Predictive" categories with a strong desire to progress to a "Reliability" position. JLL agrees with this assessment, having garnered from interviews that DHS is strong in areas of processes, technologies, systems, and governance. For more discussion, please see Section 11.7 and Chart 11.6.

OSBI rates its FM practices as "Predictive" with a strong desire to progress to a "Reliability" position. For more discussion, please see Section 11.8 and Chart 11.7.

Also, OMES relies on a significant amount of outsourcing already – however, this outsourcing is fragmented among several vendors.

Other Findings

As noted, this effort only yielded detailed cost information from OMES. JLL was not provided with and therefore could not analyze cost information for buildings managed by agencies other than OMES. The lack of consolidated, and therefore readily available, information on building operating costs is a finding in and of itself. As discussed in greater detail in the Technology section, having a standardized IWMS system, such as AiM, deployed across all agencies and managed centrally will not only increase operating efficiency but also position the State to understand its facilities management costs to an extent not experienced thus far.

**Excludes utilities*

11.4 OMES Operating Costs

To establish a baseline comparison of operating costs in State-owned, OMES-managed buildings, JLL compared 10 categories of operating expenses, including:

- General maintenance
- Chiller maintenance
- Water treatment
- Elevator maintenance
- Fire/Life Safety
- Building Automation
- Custodial
- Grounds
- Pest Control
- Trash Removal

These categories are assessed against benchmarks JLL has established based on a combination of BOMA standards, direct JLL experience managing state government-owned buildings elsewhere in the country, and comparable commercial facilities.

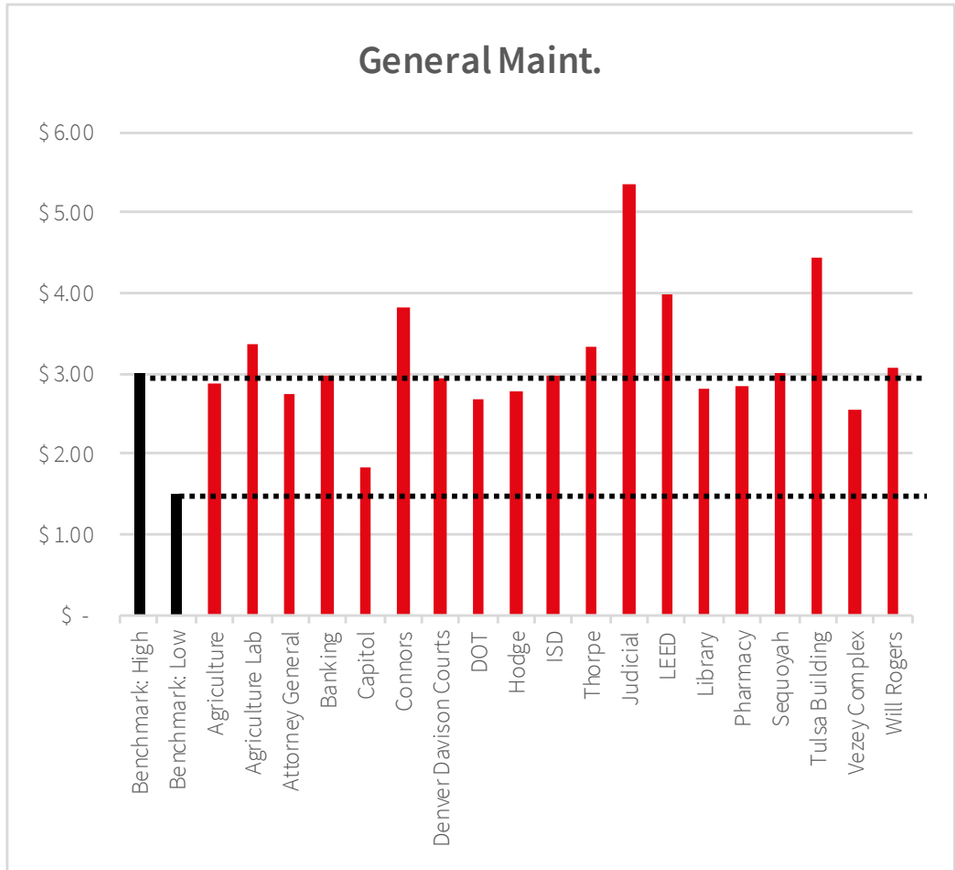
11.4 OMES Operating Costs Continued

Benchmarks are in black and actual costs in OMES-managed buildings are in red. All are per-square-foot measures.

The benchmark for General Maintenance costs is between $1.50/SF and $3.00/SF. By comparison, on average, OMES maintenance costs are $3.18/SF, based on information OMES provided JLL.

OMES general maintenance costs are generally high, with most at or above the high-water-mark of $3.00/SF. Several buildings greatly exceed this amount, namely Connors, Thorpe, Judicial, LEED, and the Tulsa buildings.

Chart 11.1 General Maintenance Costs



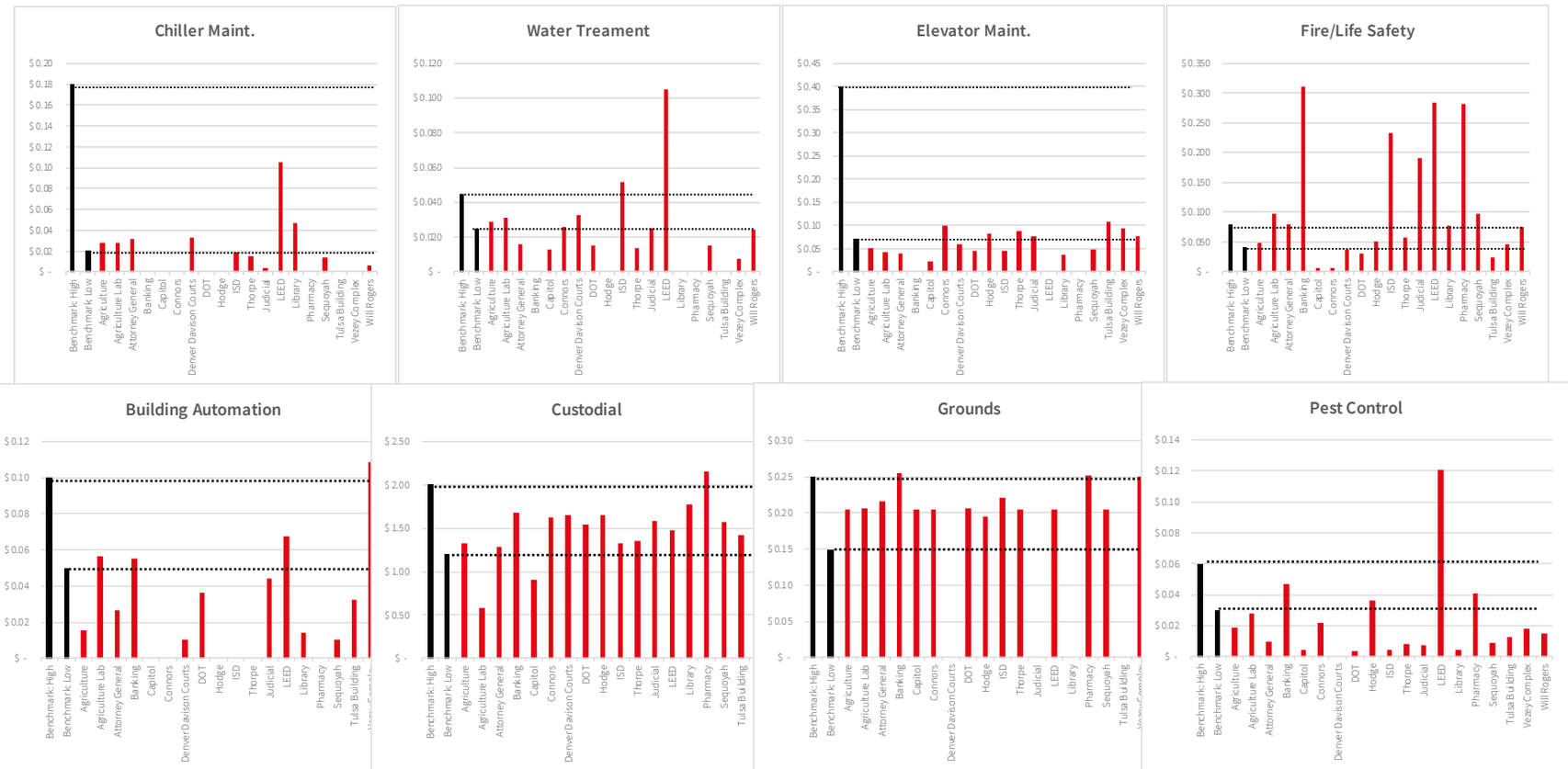
11.4 OMES Operating Costs Continued

Many (though not all) also have higher-than-average fire/life safety inspection and maintenance costs: Banking, ISD, Judicial, LEED, Pharmacy, and Sequoyah. However, it is essential to note that many of the buildings with higher operating costs are 1) smaller facilities, 2) specialized facilities, or 3) both. These buildings are, by their nature, less efficient. For example, Banking, Pharmacy, LEED, and the Data Center can show higher-than-benchmark costs. However, this does not necessarily mean that they are inefficient. Instead, their size or specialized nature precludes the efficiency that larger buildings can achieve.

By contrast, OMES buildings are within or below benchmarks for chiller maintenance, elevator maintenance, and water treatment (though the data center and LEED buildings have higher-than-average water treatment costs.

For the remaining categories, OMES is consistently within or below benchmark costs for building automation, custodial grounds, pest control, and trash removal (except for the LEED building's pest control costs). Overall, OMES is within or below many benchmarks for these remaining categories.

Charts 11.2 Facilities Maintenance Costs



11.4 OMES Operating Costs Continued

In addition to benchmarks, JLL reviewed a detailed equipment and fixtures inventory for the Will Rogers building to then estimate what general maintenance costs may be based on JLL experience managing other state government buildings. JLL also accounted for preventative and routine maintenance to items such as roof, elevators, chillers, and other mechanical and plumbing items.

Overall, JLL estimates that maintenance costs for Will Rogers should equal $2.52 per square foot. This is lower than the current $3.06 per square foot based on data the state provided to JLL. This estimate is based on JLL experience managing similar administrative office buildings for the State of Illinois, the State of Tennessee, and the State of Ohio.

{1} Based on Will Rogers Asset List Provided. RsMeans was used as the estimating tool for labor. Labor was "normalized" due to the lack of Ratings/HP/Tonnage.
{2} Based on RsMeans Labor Rates for In-House labor. Blended rate for Journeyman.
{3} Hours times the Rate.
{4} Based on Will Rogers Asset List Provided. RsMeans was used as the estimating tool for material. Material was "normalized" due to the lack of Ratings/HP/Tonnage.
{5} Hours based on JLL internal Service Calls Frequency per SqFt. The Volume defaults to HIGH, as a Federal Facility.
{6} Hours times the Rate
{7} Material cost based on JLL internal Service Call material cost per SqFt. The Volume defaults to HIGH, as a Federal Facility.
{8} Hours based on JLL internal Recurring Maintenance Calls Frequency per SqFt. The Volume defaults to HIGH, as a Federal Facility.
{9} Hours times the Rate.
{10} Material based on JLL internal Recurring Maintenance Calls Frequency per SqFt. The Volume defaults to HIGH, as a Federal Facility.
{11} Total All Costs
{12} Facility Square Footage
{13} Cost per Square Footage
{14} FTE's to Complete Estimated Work
{15} 2080 Hours Productive Year (less 80Hrs Holiday, 120Hrs PTO)

Table 11.3 Estimated Maintenance Costs

Components of the Cost	Amount	Costs	Totals	Notes	FTE
Preventative Maintenance Labor	786.25			{1}	0.42
Loaded Hourly Rate		$ 77.23		{2}	
Preventative Maintenance Labor Cost			$ 60,722.43	{3}	
Preventative Maintenance Material Cost			$ 28,249.73	{4}	
Service Call Labor	2,050.63			{5}	1.09
Loaded Hourly Rate		$ 77.23		{2}	
Service Call Labor Cost			$ 158,370.31	{6}	
Service Call Material Cost			$ 13,670.88	{7}	
Recurring/ Renew/Replace Labor	1,734.49			{8}	0.92
Loaded Hourly Rate		$ 77.23		{2}	
Recurring/ Renew/Replace Labor Cost			$ 133,954.89	{9}	
Recurring/ Renew/Replace Material Cost			$ 35,886.06	{10}	
Total Costs			**$ 430,854.29**	**{11}**	
Will Rogers SqFt	170,886			{12}	
Cost per Square Foot			**$ 2.52**	**{13}**	
FTE				{14}	2.43
				{15}	1880

11.5 OMES Operating Costs Conclusions

As noted, State operates at an average of $5.07/SF in OMES-managed buildings. Though within benchmarks, this cost is at the higher end. In addition, JLL believes that Will Rogers could see maintenance costs closer to $2.52/SF, compared to the current cost of $3.06/SF today.

JLL also performs facilities management for the State of Illinois, the State of Tennessee, and one 981,000-sf office building for the State of Ohio. JLL is also familiar with the State of Utah's portfolio.

Excluding janitorial costs, as JLL does not provide those services to IL, TN, or OH, operating costs for these states are as follows:

- State of Utah: $2.90/SF
- State of Illinois: $2.90/SF
- State of Tennessee: $2.71/SF
- State of Ohio: $2.22/SF

Excluding janitorial, OMES's costs to operate its portfolio is an average of $3.62/SF. Therefore, JLL believes that there is considerable opportunity for the State to explore ways to reduce its operating costs moving forward.

State of Oklahoma (OMES):
$3.62/SF

State of Utah:
$2.90/SF

State of Illinois:
$2.90/SF

State of Tennessee:
$2.71/SF

State of Ohio:
$2.22/SF*

Note: figures exclude utilities and janitorial costs for comparison purposes.

11.6 Facilities Management Health Check

JLL's Facilities Management Health Check focused on the following five areas of the O&M program for select State of Oklahoma agencies:

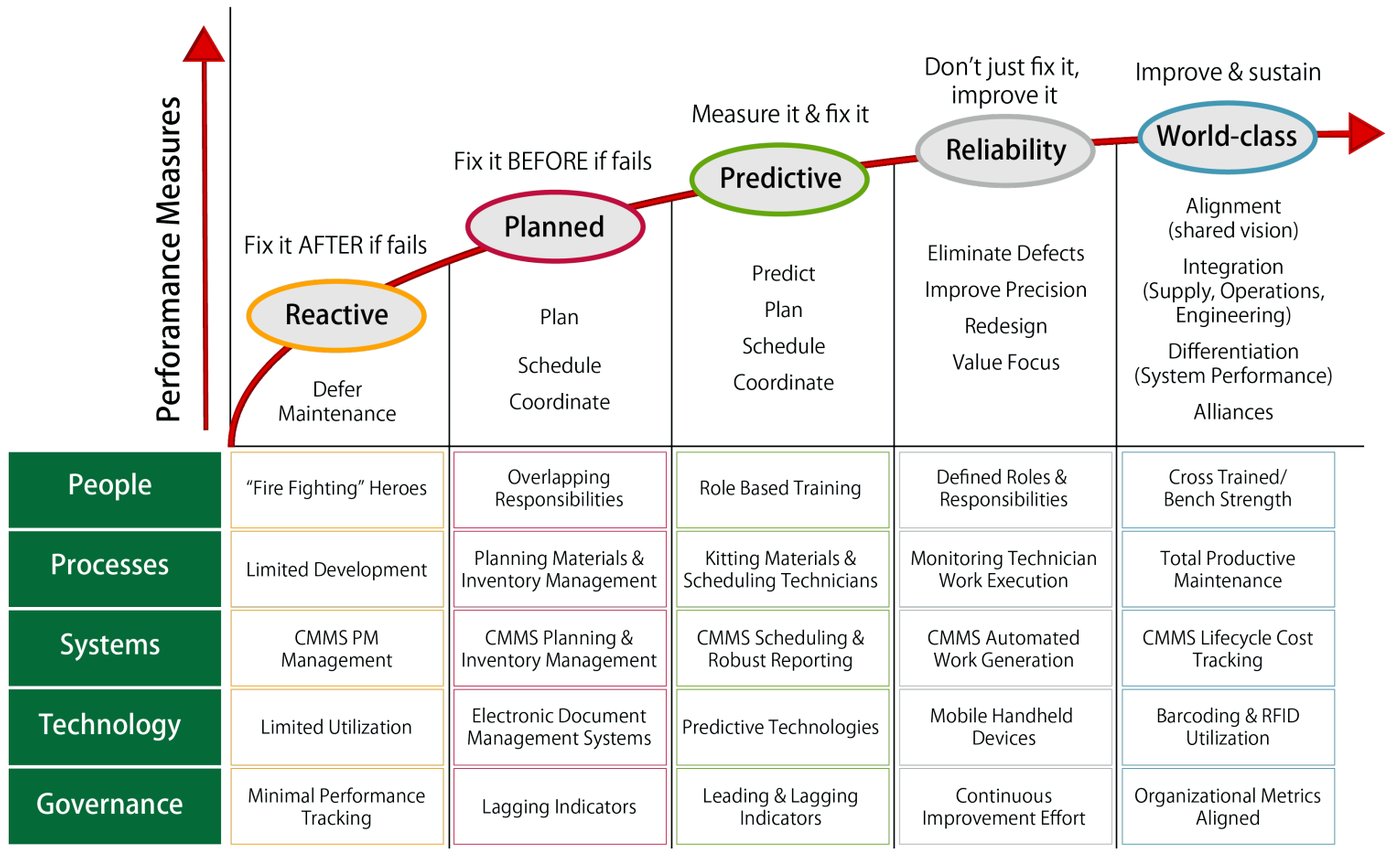
- People
- Processes
- Systems
- Technology
- Governance

JLL interviewed FM leads with OMES, DHS, DEQ, and OSBI to discuss the following topics:

- "Smart" Maintenance organizationally
- Maintenance Technology being applied
- Maintenance Inventory connected to IWMS/CMMS
- O&A repair/replacement work executed through O&M service contract
- Effective QC program and performance reporting built into the O&M operation

For each discussion, JLL walked through the "Maintenance Maturity Model" in Chart 11.4 and had each agency self-assess. Then, JLL followed up with its own assessment and compared the results. Follow-up questionnaires were sent to all four organizations, but return replies were received by OMES and DHS only.

Chart 11.4 Maintenance Maturity Model



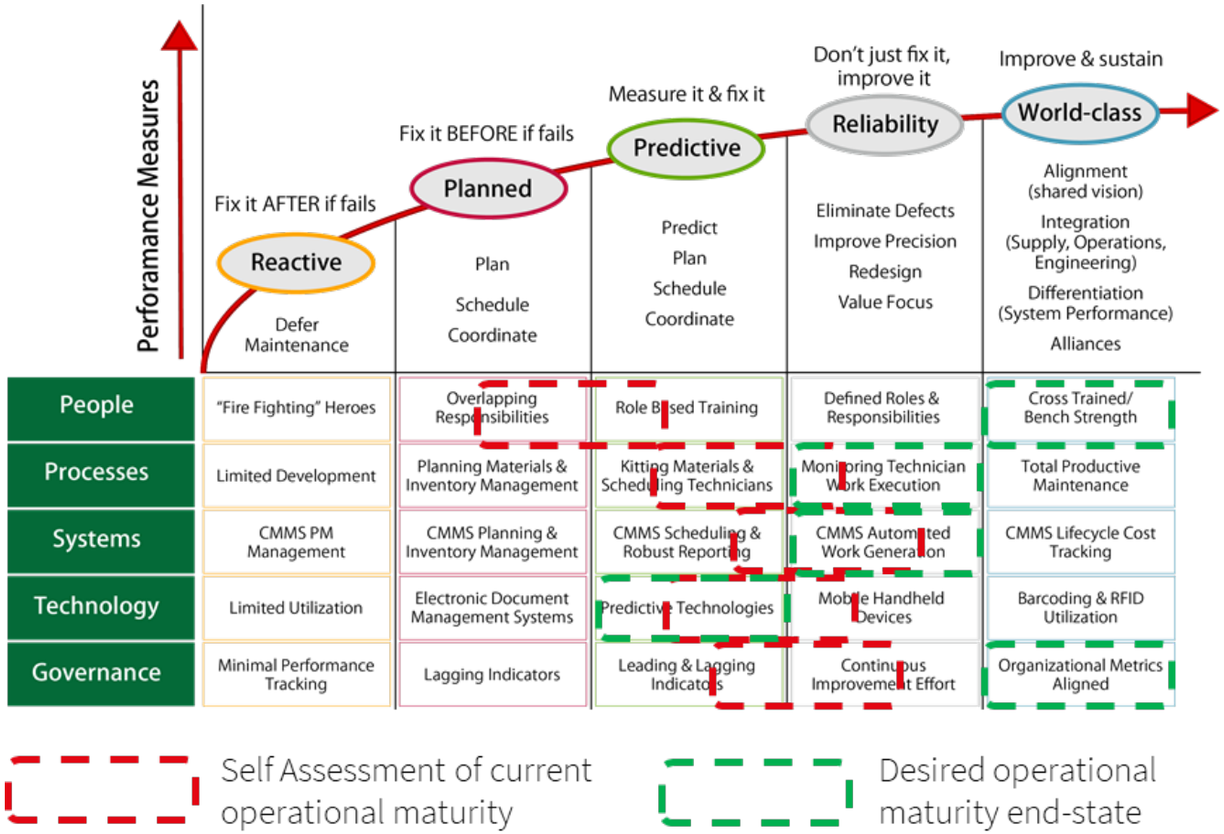
11.7 OMES Facilities Management Health Check

The Maintenance Maturity Model shows that OMES self-rated as an organization overall in the "Predictive" category with a strong desire to progress to a "Reliability" position:

- People: OMES rated itself as between Planned and Predictive with a strong desire to become World-Class
- Processes: OMES rated itself as between Predictive and Reliability with a desire to shift more firmly into Reliability
- Systems: OMES rated itself as between Predictive and Reliability with a desire to shift more firmly into Reliability
- Technology: OMES rated itself as between Predictive and Reliability and found this position to be sufficient
- Governance: OMES rated itself as between Predictive and Reliability with a desire to shift more firmly into World-Class

After conducting interviews with the OMES team, JLL assessed that OMES was closer aligned currently in the "Planned" category. That is, OMES is successfully fixing problems before they fail, but could improve processes around predicting and planning repairs. OMES could also improve processes to eliminate defects, improve precision, consider redesigns where appropriate, and extract greater value from its systems. **A significant reason for this is that OMES and facilities management organizations in other state agencies are operating independently and are not managed uniformly by employing maintenance management best practices.** Assetworks IWMS is only partially utilized (not all functionality is in use) but not connected to other State of OK IWMS, CMMS, or O&M data repositories.

Chart 11.5 Facilities Management Health Check (OMES Self Assessment)



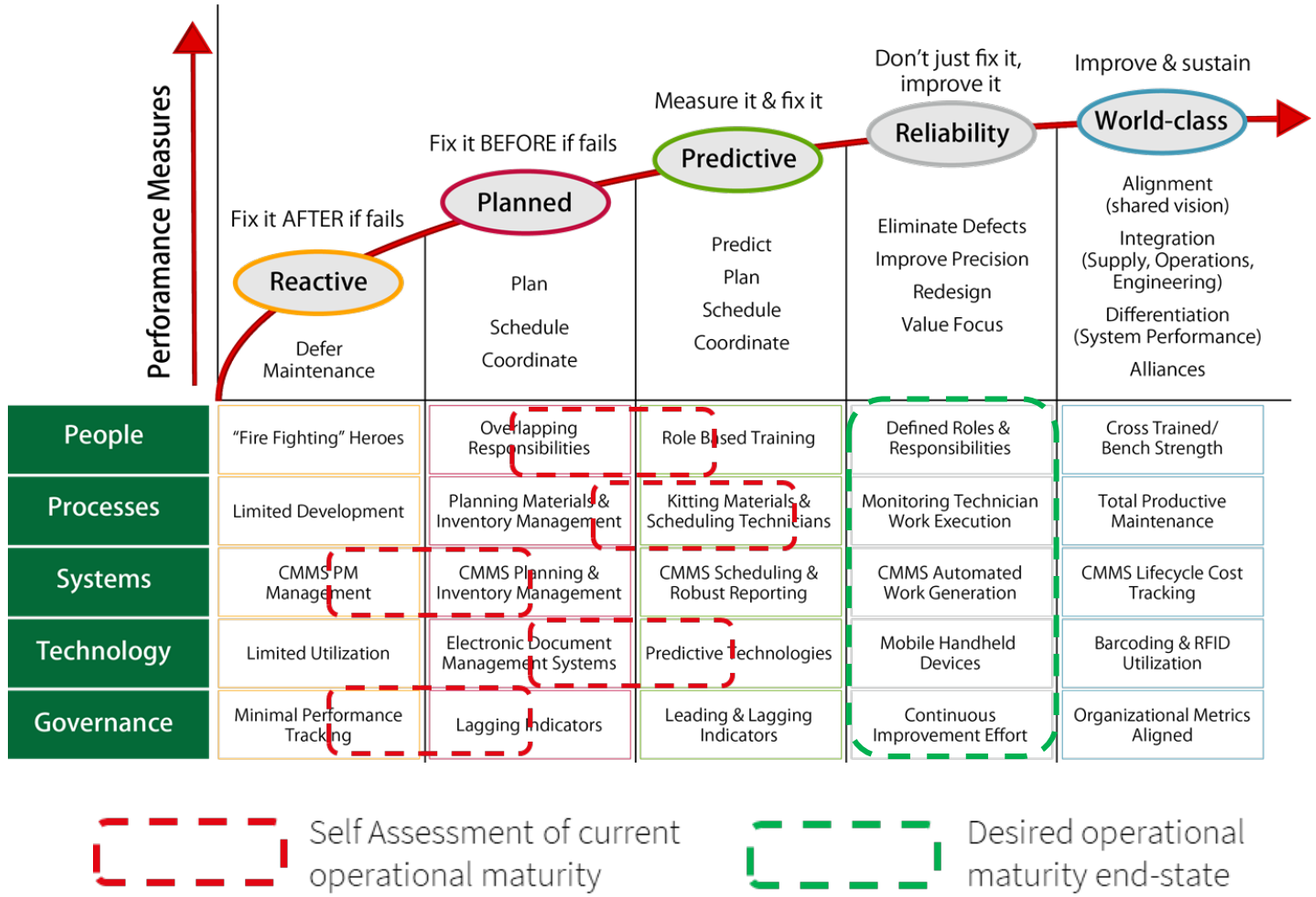
11.8 DHS Facilities Management Health Check

The Maintenance Maturity Model shows that DHS self-rated as an organization overall between the "Planned" and "Predictive" categories with a strong desire to progress to a "Reliability" position:

- People: DHS rated itself as between Planned and Predictive
- Processes: DHS rated itself as between Planned and Predictive
- Systems: DHS rated itself as between Reactive and Planned
- Technology: DHS rated itself as between Planned and Predictive
- Governance: DHS rated itself as between Reactive and Planned

After conducting interviews with the DHS team, JLL's agrees with this assessment.

Chart 11.6 DHS Facilities Management Health Check (Self Assessment)



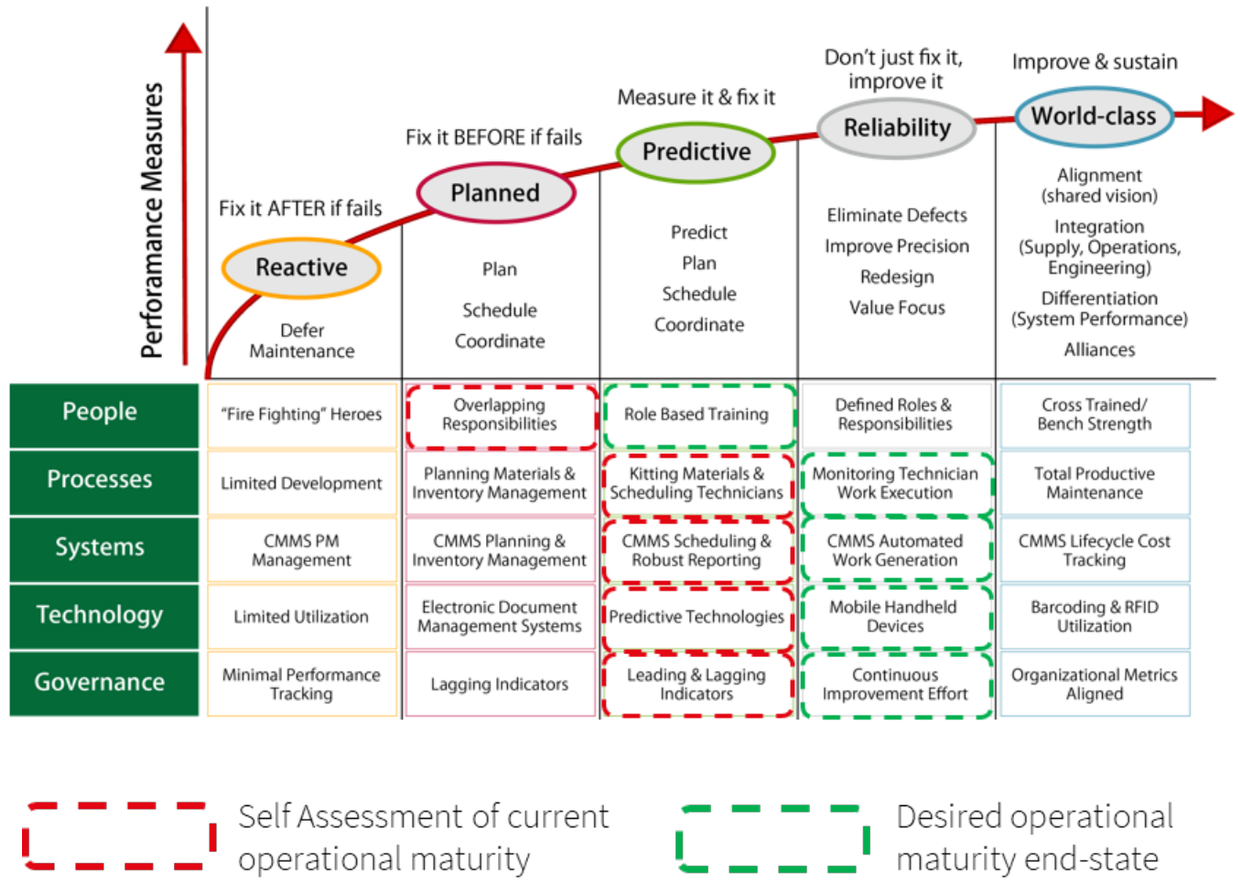
11.9 OSBI Facilities Management Health Check

The Maintenance Maturity Model shows that DHS self-rated as an organization overall between the "Planned" and "Predictive" categories with a strong desire to progress to a "Reliability" position:

- People: OSBI rated itself as Planned with a desire to shift more firmly into Predictive
- Processes: OSBI rated itself as Predictive with a desire to shift more firmly into Reliability
- Systems: OSBI rated itself as Predictive with a desire to shift more firmly into Reliability
- Technology: OSBI rated itself as Predictive with a desire to shift more firmly into Reliability
- Governance: OSBI rated itself as Predictive with a desire to shift more firmly into Reliability

After conducting interviews with the OSBI team, JLL's agrees with this assessment.

Chart 11.7 OSBI Facilities Management Health Check (Self Assessment)



11.10 Facilities Management Recommendations

Based on this review, JLL offers the State the following recommendations:

1. Consolidate outsourcing contracts into a portfolio IFM contract. Currently, OMES contracts with several vendors to provide a wide range of services. Establishing this consolidated IFM contract would create significant O&M and administrative savings. By example, the State of Illinois – which by and large requires union labor – is achieving lower operating costs than OMES through outsourcing of its facilities management. Consolidating vendor services into a single, or at least fewer, contracts may yield cost savings and efficiencies. For example, rather than contracting individually with HVAC technicians, fire/life safety inspectors, and plumbing services, seek out a vendor that can provide these and other services as part of a single contract. Establish a robust scope for one or more facilities management assignments, along with KPI's for each, to ensure consolidated outsourcing is effective, impactful, and drives down costs.

2. Pilot an outsource facilities management program at an OMES-managed building to demonstrate to other agencies the feasibility of the above approach. Piloting a facilities management outsourcing at an OMES-managed building will provide maximum oversight and visibility into performance to OMES. It will also provide OMES the maximum opportunities to improve the performance of the contracted partner. This insight and process improvement will set the standard for other agencies that wish to engage the consolidated IFM partner. It will also allow OMES to ensure that the pilot saved money, provided superior service, and allowed for better reporting, or to cancel the pilot and reverse to a State-run facilities management operation.

3. In early stages, OMES can allow other agencies to opt-in to any contracts held by OMES, including any consolidated contracts per the recommendation above, providing these agencies the same advantages and pricing available to OMES. This interim approach can help to build trust among agencies, laying the groundwork for a more coordinated approach later.

4. Establish a single CMMS platform across all agencies (JLL recommends expanding Assetworks AiM). For additional discussion, please see the technology discussion in Section 4.

5. Implement an effective Reliability Centered Maintenance (RCM) program across all agencies. This includes a formal assessment of each maintained asset to establish criticality ratings and the optimized total cost of maintenance operations.

12. Capital Planning

12. Capital Planning

12.1 Capital Planning Scope

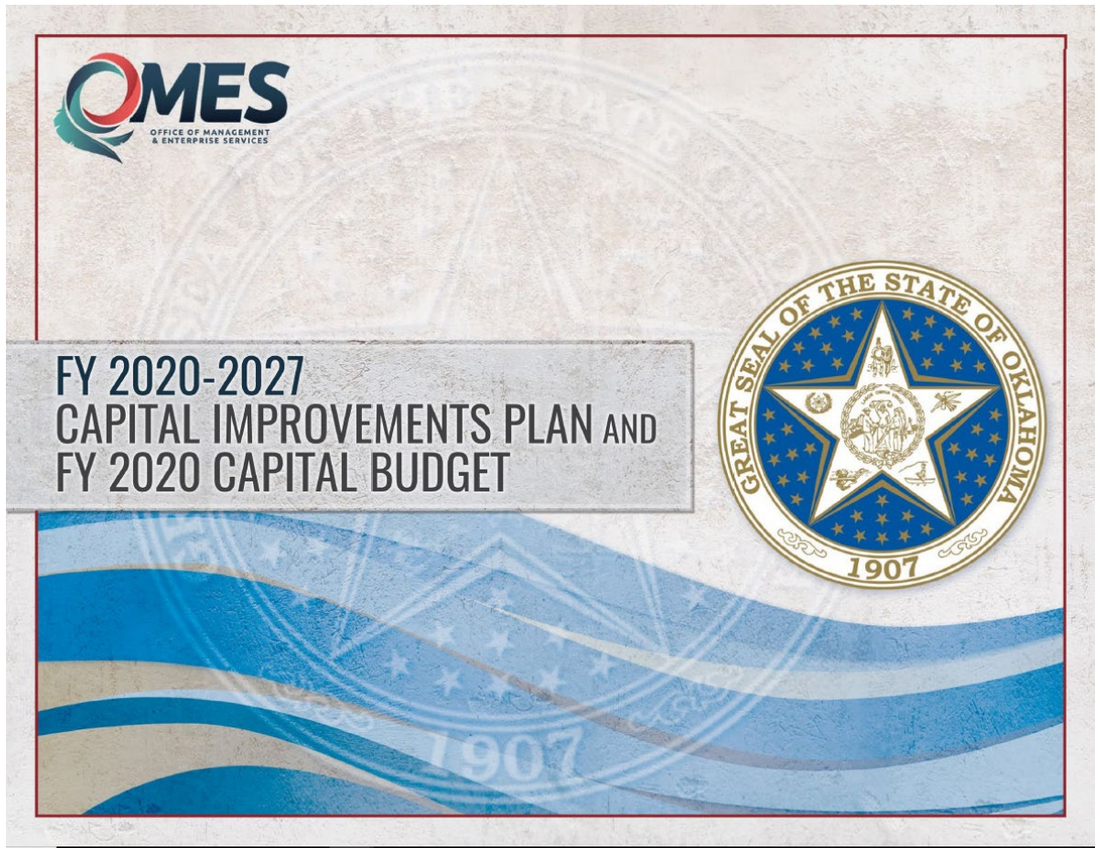
JLL sought ways to improve the State's capital planning strategies and processes. These include financing strategies, public-private partnerships, and construction management practices.

12.2 Capital Planning Process

JLL first reviewed 2018, 2019, and draft 2020 versions of the Capital Improvements Plan and Capital Budget. The State's Long-Range Planning Commission creates this document annually and is a thorough and well-planned document. Additionally, JLL interviewed stakeholders involved in this process, and agency directors and facility managers to understand various State agencies' capital planning process and outcomes.

12.3 Capital Planning Findings

The State of Oklahoma has a clear picture of its recommended Capital Budget. Each year, the Commission provides recommendations for funding the State's current capital needs in addition to policy recommendations for managing the State's $14 billion portfolio. The appropriations process allocates as much money as the legislators see fit. This often leaves a gap in what is likely required to meet deferred maintenance needs in state-owned buildings. What the State has a less clear understanding of is how big the gap is because the State has not conducted an engineering study to quantify its owned buildings' conditions.



12.3 Capital Planning Findings Continued

Table 12.1 explores the Commission's recommendation to appropriate $177 million to the Revolving Fund to address deferred maintenance concerns.

After the Commission submits a capital budget and improvement plan, the Oklahoma State Legislature has 45 days to review the plan and pass a concurrent resolution rejecting any proposed projects. Any projects that the Legislature does not reject outright, the Commission can then implement.

The State has not appropriated any funding for the Maintenance of State Buildings Revolving Fund ("Revolving Fund") since 2014, which severely limits the State's ability to address its deferred maintenance backlog. In the fiscal year 2020, the Planning Commission requested an appropriation of $26 million. This request included $21 million for critical maintenance needs. The remaining $5 million was allocated to funding the first year of debt service on a 20-year bond that would implement 11 larger capital projects totaling $150.5 million.

Table 12.1 Funding Recommendations for the Maintenance of State Buildings Revolving Fund

	FY 2020	FY 2021	FY 2022	FY 2023
Capital Projects	$21,113,691	$21,537,014	$20,770,554	$20,907,139
Estimated Debt Service	$4,899,415	$13,558,050	$14,047,646	$13,746,356
Recommended Appropriation	$26,013,106	$35,095,064	$34,818,200	$34,653,495

	FY 2024	FY 2025	FY 2026	FY 2027	Total
Capital Projects	$20,567,672	$20,609,865	$26,025,295	$25,158,558	$176,689,788
Estimated Debt Service	$13,445,066	$13,897,001	$13,558,050	$13,972,324	$101,123,908
Recommended Appropriation	$34,012,738	$34,506,866	$39,583,345	$39,130,882	$277,813,696

12.4 Capital Planning Recommendations

12.4.1 Long-Range Capital Planning Commission recommendations.

The Long-Range Capital Planning Commission recommendations for 2020-2027 include the following capital planning policies, which JLL agrees with and has summarized below:

1. Establish an adequate and consistent annual appropriation for renewal of the State's real property assets. This should include eliminating agency exemptions from participating in the Oklahoma State Government Asset Reduction and Cost Savings Program and requiring proceeds of state property sales to be deposited into the Maintenance of State Buildings Revolving Fund. JLL also recommends the State establish an annual appropriation tied to the implementation of the Annual Capital Budget. Some governments tie a percentage of revenues to the capital budget to ensure that the government funds deferred maintenance.

2. Improve the State Legislature's awareness of the State's capital needs and connect the capital budget to the appropriations process. Include the annual capital budget in the executive budget document. Rather than separating out the capital budget from the executive budget document, consolidate both into the same budget to improve awareness of deferred maintenance and then present the capital improvements plan and annual capital budget to the Legislature.

3. Examine opportunities to consolidate and share facilities services, operations, and maintenance functions across agencies and at a regional level. This is an effective way to save on real estate costs with reduced footprints. Customer service is also improved when customers can complete several tasks at the same location.

4. Establish mechanisms to ensure accountability for the proper maintenance of the State's real property portfolio, such as using an asset management database and requiring agencies to meet minimum business process standards for facilities operations. This may include:
   a. Establish an interagency task force of facilities management and finance professionals. JLL has also recommended that the State consider a bench contract to tackle issues and projects that arise.
   b. Require all agencies to utilize a statewide asset management database. This will allow the State to effectively track maintenance requirements and activities for every facility across the State. Oklahoma University, Oklahoma State University, and OMES all share a database that could be expanded statewide.
   c. Establish statewide condition standards and functional performance standards for facilities and their major equipment systems. This will allow the State to identify low-performing and costly buildings.
   d. Establish consistent facility assessment procedures to determine capital renewal needs. This, in turn, allows the State to have the data required to make informed strategic decisions regarding the portfolio.
   e. Require agencies to meet minimum business process standards for facilities operations and management. The more uniform various standards and processes, the better the State can track and forecast upcoming capital needs.
   f. Establish a continuous improvement model for the State's real property asset management functions. This will ensure that the State is more accountable by developing a model for good feedback loops where performance is continually measured.

12.4.2 JLL additional recommendations.

1. Budget for a condition assessment study of significant state-owned buildings. This study would provide the data necessary to truly understand the deferred maintenance condition of state-owned buildings, the nature of the maintenance required, and prioritizing expenditures. Once this is done, it can provide the factual basis for legislative asks and allow the state to do more efficient long-range planning for capital renewal.

2. Eliminate agency surplus property exemptions and consider an equitable split of proceeds from the disposition of under-utilized State assets. Agencies often seek exemptions or do not declare their excess properties as surplus to avoid giving up control of properties since there is no direct benefit to them for doing so. Providing agencies with some portion of the disposition proceeds would incentivize agencies to surplus excess assets. This approach would also energize the State's property disposition efforts and more robustly fund the Maintenance of State Buildings Revolving Fund.

3. Increase rent charges on user agencies. Agencies will need less space as they embrace more telework and will save money as a result. JLL believes that the State should reinvest some of these saving to provide more funding to address deferred maintenance. To accomplish this, JLL proposes OMES gradually increase the rent they charge agencies to enable OMES to provide funding to the capital maintenance revolving fund. Specifically, OMES could create a tiered chargeback system that increases over time to an amount ranging from $0.75 to $1.50 per square foot to their current rent charges. The rent increment charged for deferred maintenance should supplement the funds generated with the Commission's Maintenance of State Buildings Revolving Fund. Other agencies that have a management structure to OMES – whereby they "rent" space to other State agencies – can pursue a similar strategy and thereby seeding a larger total fund. As the State's primary building owner and manager, OMES can pilot this approach and set a new standard for funding deferred maintenance.