

Seattle Municipal Tower Reconfiguration

Why this project and why now?

In 2012, the Seattle Municipal Tower (SMT) was out of space and departments began looking at other options in leasing external space. The Mayor and Council requested that city departments use city owned space better rather than lease new space as to not be at the whim of lease rates increasing in changing markets. The Department of Financial Administration Services (FAS) released the city space standard and design guidance which emphasizes ADA compliance, safety, durability and efficient use of space. FAS engage a consultant to determine what the issues and desired outcomes were. Below is a summary.

Issues:

- Space allocation. Existing workstation area allocations are typically larger than functionally necessary.
- Space-saving technology. Younger workers place an increased value on current tools and technology.
- Adaptability and flexibility. Wide range of workstation types and sizes limit flexibility and space planning options – departments report existing furniture systems are difficult and costly to relocate.
- Enclosure and exposure. Existing tall cubicles isolate staff.
- Meeting spaces. Larger conference rooms in SMT are often underutilized and over-scheduled.
- Health and comfort. Access to light, views, and air circulation is limited by tall cubicle walls and enclosed perimeter offices. Most furniture is not ergonomically designed

Outcomes Desired:

- Real estate optimization. Provide the right amount of space for the work and maximize operational and spatial efficiencies. This will lower demand for additional building construction and external leases.
- Collaboration & focus. Make spaces for interaction to build familiarity, trust, and teamwork among colleagues.
- Well-being. Improve access to daylight, ergonomic furnishings, and ventilation, reducing injuries and illness and reduce human resource costs.

At the same time, SPU was experiencing inefficiencies due to work groups not being co-located due to reorganizations over the years, space and configuration constraints as well as increased ergonomic equipment requests and costs.

Considerations for SPU's Interest in Reconfiguration:

- Recent experience supports the value, SPU was required to move out of central building that housed the call center due to an expiring lease and price increases. SPU leased another floor in SMT to accommodate the call center and implemented new space requirements. The improvements have been noticeable, increased number of people per floor, less paper storage and decreased number of change requests for moves/desk changes. Previously, the call center

was the most frequent flyer in terms of requests for moves or adjustment of desks. Now, very few due to the ability to just adjust the desk easily as people move in and out.

- SPU will be able to see an increase of 12-20% increase in floor efficiencies that will allow more staff on less floors as well co-located work groups together.
- Currently configuration is constrains SPU in maximizing space. SMT floors were configured to max out at 80 people. If more staff were placed on the floors without significant reconfigurations, air quality would suffer and electrical panels not be able to support the environment. This is because the air conditioning and heating would not be able to circulate air given the existing structures (offices on windows and high cubical walls, etc.).
- SPU is currently the largest tenant in SMT making it a barrier to other city departments if SPU delays this project several years.
- Increased costs from other departments if more space is not available. If central city departments cannot lease in SMT such as Law, then they must lease externally. The costs will be greater to SPU and the city, and in turn the people of Seattle. SPU pays for a portion of central city departments for services SPU receives. The current per square foot cost in SMT is \$29.65 and the going market rate is estimated to be average of \$40.00 per square foot, a 35% increase.

Does this project make financial sense?

On a partial net present value basis, the answer is no. The net cost of \$3.1 million over 50 years relative to the Base Case.

Partial New Present Value of Original Option	
	Original Option
PV Benefit(Lease Cost Savings)	4,710,000
PV Cost (relative to Base Case)	7,770,000
Partial Net Present Value	(3,060,000)

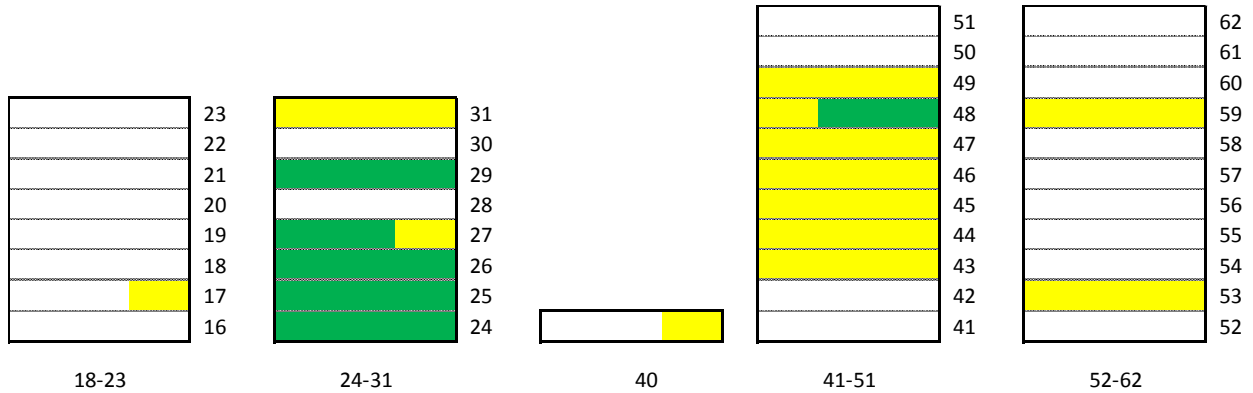
However, there are many benefits and avoided costs that this analysis does not consider. Below are estimates of three additional annual avoided costs once implemented, totaling \$0.7 million per year. The present value over 10 years of these three avoided costs is \$5.3 million¹, **which then causes the overall present value calculation to favor moving forward now on the SMT reconfiguration.**

Costs Avoided	Annual Costs Avoided at Implementation
Cost of Moves and New Equipment (assumes a 25% decrease)	\$0.1M
Travel Time Saved (4% of SPU traveling 5 minutes per hour)	\$0.4M
Major Fixes Costs (ADA doors/ventilation fixes)	\$0.2M
Additional Avoided Costs	\$0.7M

¹ Assuming the benefits begin in 2023 and continue for 10 years. This reflects the incremental avoided cost benefits of the “Implement Now” option compared to the “Implement in 10 years” option

Benefits

- Increase productivity due to staff collocating. For example, we have several people on floor 59 and 44 that are in the same work groups. If approximately, 4% of SPU has to spend 5 minutes travel between floors, it is an annual cost in time of \$0.4M. See current layout by elevator bank



- Increase productivity due to
 - Improved employee health & wellness due to ergonomic workspaces for all.
 - Better opportunities for collaboration and problem solving among management and staff due to the small workstations allowing space for more collaboration space with the technology to support.
 - Open floorplans for maximizing natural light.

Future Cost Savings

- Ergonomic workspaces – currently SPU is projecting at least \$145K a year in switch out desks for ergonomic versions. This does not include the costs SPU will save in decreased workers’ compensation. SPU currently spends about \$2M a year on workers’ compensation between time loss and claims. SPU’s SMT staff is about 65% of the work for and 25% of the portion of time loss. Note: New furniture and panels will last 25 years before replacement, except chairs. Chairs have a useful life of 10 years. 10% of chairs are changed out each year.
- Avoided cost from space moves – it currently costs SPU an average of \$240K(\$385K including ergonomic desk replacement) in space moves or adjusting fixed workstations. These costs would drastically decrease in creating a more flexible space and desk configuration plan.
- Avoided costs from major fixes – SPU currently spends about \$315K in major fixes such as ADA door retrofits and needed ventilation upgrades. These would significantly decrease after the project.
- Avoided costs from having to lease externally - This could be either SPU or other city departments as SPU pays for many other city departments as they provide services to SPU. If more city departments can fit into SMT that are currently leasing externally, there will be savings. If city departments are forced to lease externally, there will be on average 35% additional costs based on the current market.

Customer & staff benefits

- Having one floor for conference rooms, front door/reception area, mailroom and human resource staff. This will increase security for employees to be removed from public spaces unless their role is public engagement as well as provide an easily accessible space for meeting with customers or public.

What are the options?

SMT Alternatives

\$s in millions

	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
10d Original SMT Reconfiguration	3.4	4.3	4.5	4.2	4.8	5.4	4.3	0.0	0.0	0.0
Decreasing floors in SMT				(0.8)	(0.8)	(0.8)	(0.8)	(1.6)	(1.6)	(1.6)
Total SMT Original Proposal	3.4	4.3	4.5	3.4	4.0	4.6	3.5	(1.6)	(1.6)	(1.6)

SMT Alternative Phase 1

Phase 1 move off a 1 critical floor	3.4	1.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Decreasing floors in SMT				(0.4)	(0.4)	(0.4)	(0.4)	(0.4)	(0.4)	(0.4)
Total Just Phase 1	3.4	1.3	0.0	(0.4)	(0.4)	(0.4)	(0.4)	(0.4)	(0.4)	(0.4)

SMT Alternative Phase 1 and 2

Phase 1 move off a 1 critical floor	3.4	1.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Phase 2 delay 18 months in 2018 and 2019				3.0	4.5	4.2	4.8	5.4	4.3	0.0
Decreasing floors in SMT				(0.8)	(0.8)	(0.8)	(0.8)	(0.8)	(0.8)	(1.6)
Total Phase 1 and 2	3.4	1.3	0.0	2.3	3.7	3.5	4.0	4.6	3.6	(1.6)

The impact from financial perspective will be beneficial for the rates during 2026 under the delayed scenario. For example, this decrease in O&M will allow SPU to spend \$5.6M more on CIP per year without changing the rates.