



OFFICE OF THE CITY ADMINISTRATIVE OFFICER (CAO)

2014 Strategic Real Estate Plan

PA Consulting

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EXECUTIVE SUMMARY

2014 Strategic Real Estate Plan

The City launched an engagement in May of 2013 with PA Consulting (PA) and its subcontractor, Cushman & Wakefield, to update the 2009 Strategic Real Estate Plan (the 2009 Plan). The purpose of this effort was to measure progress, update or expand the 2009 Plan, and reset implementation plans in a new 2014 Strategic Real Estate Plan (2014 Plan). PA coordinated these efforts out of its Los Angeles office with City staff and Cushman & Wakefield. The engagement team focused on real estate asset management, portfolio management, space optimization, systems procurement and management, and governance. The team identified where the City is today, and what real estate asset management challenges the City might face in the future. This report summarizes our assessment and strategic recommendations for the future.

Process

The engagement team worked with the City to understand current use of real estate systems, data, documents, processes, and technology. The team also sought to capture potential modifications in the City's strategic approach. Based on this assembled information, the team did the following:

- Characterized the 2014 “as-is” City real estate asset management environment
- Scanned for opportunities regarding real estate-related data, documents, systems, and processes
- Envisioned a “to-be” set of City-wide real estate guiding principles
- Developed strategy, initiatives, and implementation profiles to achieve the desired future state
- Monitored implementation progress based on recommendations from the 2009 Plan to capture benefits already accrued.

Unique Elements of the 2014 Plan

The 2014 Plan differs from the 2009 Plan as shown in Table ES-1 below.

Table ES-1: Key Differences between the 2009 and 2014 Strategic Real Estate Strategic Plans

Plan Element	2009 Plan Recommendations	2014 Plan Recommendations
<ul style="list-style-type: none"> Standards 	<ul style="list-style-type: none"> Silent on the use of existing, international standards for improving organizational performance 	<ul style="list-style-type: none"> The City should pursue certification in Asset Management (via ISO 55000:2014) and Information and Records Management (ISO 15489). Each of these ISO standards provides an excellent blueprint for strategy and systems implementation.
<ul style="list-style-type: none"> Systems 	<ul style="list-style-type: none"> Recommends refining and improving the Aperture-based Asset Management System (AMS) 	<ul style="list-style-type: none"> The City should implement a new, fully-functional AMS, which meets or exceeds ISO 5500x:2014 requirements (ISO 55000, 55001, and 55002). Otherwise, the City will remain challenged to access and maintain real estate information effectively.
<ul style="list-style-type: none"> Data 	<ul style="list-style-type: none"> Mentions activities related to various databases (e.g., BMS and LSI), but is relatively silent on managing data and record integrity 	<ul style="list-style-type: none"> The City should implement information and records management processes, per ISO 15489, to ensure data and record integrity. Also, the City should consider ISO 9001 certification (Quality).
<ul style="list-style-type: none"> Documents 	<ul style="list-style-type: none"> Silent on the need for Document Management System (DMS) 	<ul style="list-style-type: none"> The City should pursue ISO 15489 certification. The City should procure and implement a DMS to create faster access to key documentation in a controlled environment.
<ul style="list-style-type: none"> Portfolios 	<ul style="list-style-type: none"> Relatively silent on portfolio management 	<ul style="list-style-type: none"> The City should implement more rigorous portfolio management processes, including staff certification in Portfolio Management Professional by PMI (PfMPSM). Otherwise, City staff members will continue to be challenged to manage a large portfolio of City-owned properties effectively without having the requisite training, a system, data and records integrity, and document accessibility in place.
<ul style="list-style-type: none"> People 	<ul style="list-style-type: none"> Relatively silent on the development of real estate staff working for the City 	<ul style="list-style-type: none"> The City should increase training in real estate and portfolio management subject matter. The City should implement a Balanced Scorecard for tracking efforts related to: 1) clients (stakeholders), 2) people (learning and growth), 3) asset management (internal business processes), and 4) finances. The 2014 Plan recognizes that the City's most important assets are its people and its employees.
<ul style="list-style-type: none"> Planning 	<ul style="list-style-type: none"> Relatively silent on implementation planning 	<ul style="list-style-type: none"> Provides high-level implementation plan for realizing the City's Real Estate Strategic goals and objectives.

The 2014 Plan provides guidance to transform the City's Asset Management capabilities. As first steps, PA believes that the City should commit to procuring and implementing a new Asset Management System (AMS) and further develop and "cleanse" the Property Inventory Database (PID). The actual benefits of these first two steps could be substantial over a three to five year period, even without other recommended improvements in place and without headcount increases beyond what was recommended in PA's Organizational Design report.

The Organizational Design portion of the 2009 Plan calls out “seven key elements of private sector asset management practices.” The 2014 Plan addresses all seven, which are considered necessary to manage the City’s real property assets effectively and efficiently:

1. Site based management, accounting, budgeting, and operations
2. Relevant and regularly updated database on physical, operational and financial characteristics of (real) properties (in the AMS)
3. Annual (or semi-annual) reviews and reporting
4. Private market benchmarks, including market value of all alienable properties
5. Financial tools and performance standards used in the real estate market (such as return on investment and discounted cash flow calculations)
6. Introduction of effective competition (that is, competitive bidding) to leasing, sales, and sourcing of systems, services, and materials
7. Culling of smaller properties through sale to improve portfolio management efficiency

Recommendations

Going forward, PA recommends that the City implement the set of nine (9) projects (a – I, organized into four components) listed on the next page in Table ES-2. These projects are designed to deliver the asset management capabilities identified in the 2014 Plan. Should the City decide to take on these projects, assignment of lead agencies to each project should be left to the City’s discretion.

Benefits already accumulating

At the current point in time (September 2014), significant benefits have reportedly started accumulating as a result of efforts stemming from the 2009 Plan.

- Reduced lease expenditures
- Made considerable progress consolidating staff in the Figueroa Plaza complex
- Made considerable process with construction planning for the new Civic Center building
- Reduced City expenses by relocating staff from high-cost lease space with lower cost City-owned space
- Completed the Public Works Building Consolidation in 2012 by relocating Bureau staff from various other City and leased locations into the Public Works Building
- Relocated various LAPD Internal Affairs Units from leased locations to City-owned facilities
- Generated revenues by disposing of surplus properties
- Transitioned to a “greener” real estate portfolio

The 2014 Plan provides a framework for extending and deepening these benefits during the coming three to five years.

Table ES-2: Recommended Projects to Deliver the 2014 Real Estate Strategic Plan

Asset Management Process Components	Recommended Projects (note 1)	Project Objectives
1. Deployment Management – see subsection 4.2.1	<ul style="list-style-type: none"> a. Asset Management Process Planning and Launch b. Property Inventory Database (PID) development 	<ul style="list-style-type: none"> • Perform detailed planning for RE asset management projects during first phase • Build RE asset management program momentum • Ensure all City-owned property is properly identified, characterized, and inventoried as defined by the new Asset Management Framework (recently proposed by CAO AMSP) • “Cleanse” and maintain property records
2. Technology Management – see subsection 4.2.2	<ul style="list-style-type: none"> c. Manage Asset Management (information) System (AMS) lifecycle d. Manage Document Management System (DMS) lifecycle 	<ul style="list-style-type: none"> • Pursue ISO 55000: 2004 certification (Asset Management standard published in Jan. 2014) • Procure and implement the AMS via RFP • Pursue ISO 15489 certification (Information and Records Management) • Procure and implement a Document Management System (DMS) via RFP • Test installed AMS and DMS systems • Ensure systems meets business and technical requirements • Maintain systems, ensure availability to users • Ensure data availability and data integrity • Resolve asset and data management problems using procured systems (i.e., avoid “workarounds”)
3. Data Management – see subsection 4.2.3	<ul style="list-style-type: none"> e. Operating Statements for Properties f. Financial Analysis and Reporting for Properties, Portfolios, and Projects g. Asset Management Balanced Scorecard 	<ul style="list-style-type: none"> • Conduct a regular comparison and analysis of actual versus planned performance for each property, portfolio, and project • Perform deep financial analysis of each property to identify well- and poorly- performing properties • Create process for publishing quarterly asset management performance balanced scorecard • Maintain asset management balanced scorecard databases and processes
4. Asset Portfolio Management – see subsection 4.2.4	<ul style="list-style-type: none"> h. Asset Portfolio Optimization i. Manage Portfolio of Surplus Property 	<ul style="list-style-type: none"> • Support portfolio management processes and services for Surplus Property • Develop a process for asset portfolio optimization • Conduct periodic portfolio tracking and oversight reviews; maintain and report portfolio metrics • Provide communications management • Active asset portfolio governance process • Facilitate consistent timelines and methods for all types of portfolios • Train and certify real estate employees as Portfolio Management Professionals (PfMPSM)

Note 1: Teams are designed to call for part-time contributions from multiple City staff and possibly consultants

1 THE CITY OF LOS ANGELES' REAL ESTATE VISION AND MISSION

1.1 Vision

Vision statement: **The City will manage its real estate assets to enhance the effective operation of City government and contribute to productive, healthy, and strong communities.**

1.2 Mission

In the 2009 Strategic Real Estate Plan (the 2009 Plan), the City described its mission for real estate services in a set of 14 Guiding Principles. The Guiding Principles have provided useful guideposts for the City and have served as a roadmap for the City's real estate activities. The City's progress and activities relative to the 2009 Guiding Principles are described in Section 2.2.

In the 2014 Strategic Real Estate Plan (the 2014 Plan), PA Consulting (PA) linked these 14 Guiding Principles to a new, simplified set of four Guiding Principles. PA believes that these four new Guiding Principles inform and enrich the 14 Guiding Principles from 2009, as shown below in Table 1-1 below.

Table 1-1: Alignment of 2014 and 2009 Guiding Principles

2014 Guiding Principles	2009 Guiding Principles
1. Support City Services and Public Access	• Departments should be clustered together by purpose or customer to improve operational effectiveness and service
	• City governing bodies and their support departments should be localized in close proximity to each other in the Civic Center
	• Office functions should be consolidated in fewer locations, which leads to occupancy cost savings and operational efficiencies
	• A comprehensive computer database is essential for the management of real estate assets
	• Professional asset management must support the delivery of municipal services. Decisions must be made in support of human resources, customer satisfaction, and information technology
2. Be Environmentally Responsible	• Every City facility should be a "Green Facility". All new buildings must be LEED Silver or higher
3. Optimize Economic and Financial Benefits	• Long-term office needs should be satisfied with long-term solutions
	• A balance should be maintained between owned and leased facilities so that the City can benefit as market conditions and space requirements change
	• Short-term office needs should be satisfied via flexible leases
	• All retail revenue-generating opportunities using public-private partnerships should be maximized
4. Be Cost Effective	• Joint-use facilities (i.e., maintenance yards) are more cost-effective than single purpose facilities
	• Facilities that are over 50 years old should be replaced or revitalized
	• Surplus property should be disposed of immediately (sell, reuse, or develop)
	• Non-profits in City facilities must be profitable either through services or rent

1.3 Key “Asset-related” Terminology

Readers of the 2014 Plan will notice a few key terms related to “assets”. Table 1-2 below defines some of these ease of reference.

Table 1-2: Key Terms Related to Assets

Term	Definition (note 1)
Asset (within the City’s Real Estate group)	<ul style="list-style-type: none"> • A property, contract, lease, or any other real-estate related entity that has potential or actual value to the City. Value can be tangible or intangible, financial or non-financial, and includes consideration of risks and liabilities
Asset Lifecycle	<ul style="list-style-type: none"> • The asset lifecycle covers the period from asset creation or acquisition of an asset to asset end-of-life, including the stages involved in the management of an asset. For real estate, the lifecycle stages might include strategic planning, operational assessment and planning, acquisition, operation and maintenance, and disposal
Asset Management Process	<ul style="list-style-type: none"> • The Asset management process involves the balancing of costs, opportunities and risks, against the desired performance of assets, to achieve the organizational objectives. The balancing is considered over different timeframes. Asset management processes enable an organization to examine the need for, and performance of, assets and asset systems at different levels. Additionally, it enables the application of analytical approaches towards managing an asset over the different stages of its lifecycle
Asset Management System	<ul style="list-style-type: none"> • An asset management system is a set of interrelated and interacting elements within an organization, whose function is to establish the asset management policy and asset management objectives, and the processes needed to achieve those objectives. In this context, the elements of the asset management system should be viewed as a set of tools, including policies, plans, business processes and information systems, which are integrated to give assurance that the asset management activities will be delivered
Asset Management (Information) System	<ul style="list-style-type: none"> • An Asset Management (Information) System (AMS) is a computerized system which the City should use to direct, coordinate and control asset management activities. It can provide improved risk control and gives assurance that the asset management objectives will be achieved on a consistent basis. AssetWorks is an example of an AMS
Asset Portfolio	<ul style="list-style-type: none"> • Assets that are within the scope of an asset system. An asset portfolio is typically established and assigned for managerial control purposes. Portfolios of physical real estate (properties) might be defined or classified by asset type (e.g., City-owned, Leased, Surplus, etc.) or geographic locations (South Los Angeles, Valley, etc.). An asset system can encompass multiple asset portfolios
Asset System	<ul style="list-style-type: none"> • A set of assets that interact or are interrelated

Note 1: These definitions are taken from ISO 55000. See the Glossary in Section 9 of this document for other terms and more complete definitions.

1.4 New Strategic Real Estate Plan

The City still has significant challenges ahead to complete implementation of the 2009 Plan. As part of this engagement, PA Consulting has made a number of recommendations related to Organizational Design, Systems, Asset Management, and Portfolio Optimization. This 2014 Plan (this document) will recommend a set of one-time efforts required to take the City “to the next level” regarding Real Estate asset management.

2 ASSESSMENT OF THE CITY'S 2009 REAL ESTATE PLAN AND PROGRESS TO DATE IN ACHIEVING THE GOALS OUTLINED IN THE 2009 PLAN

2.1 Assessment of the 2009 Strategic Real Estate Plan

An assessment of the 2009 Plan was provided in the "Real Estate Strategic Plan Review" (Plan Review) – see Appendix A of the Integrated Report. The 2009 Plan includes four broad objectives:

- Improve City efficiency by consolidating space and co-locating services related to one another
- Enhance public access by moving key related services to Figueroa Plaza, facilitating one-stop-shopping, and building a new Civic Center Building
- Improve cost-effectiveness by reducing leased space
- Acquire and implement a new Asset Management System (AMS)

PA's key observations pertaining to progress on key elements in the 2009 Plan are summarized below:

- Guiding Principles – Significant progress was made in adhering to nine of the 14 Guiding Principles. These Principles include a mix of visionary, tactical, and proscriptive recommendations
- Civic Center Concept – The City has continued to pursue the Civic Center concept by consolidating downtown leases into the Figueroa Plaza buildings, but has had some limitations placed on it by existing non-City tenants
- Los Angeles Mall – Options for re-developing the LA Mall are currently under review
- Cost-Effective Management of Assets – The current emphasis on reducing the number and cost of downtown leases may not optimize cost-effectiveness and benefits in the long term. For example, it may be in the City's best economic interest to lease some of its own assets to non-City tenants and keep some of the downtown leases for City employees
- Public Access – City departments have not fully coordinated the decentralized delivery of services at the City's locations beyond the City Hall, Civic Center, and Figueroa Plaza
- Economic and Financial Benefits of Assets – The City has not yet adopted a policy which ensures that properties leased to non-profit organizations are consistently and cost-effectively managed. The City is developing a frame-work for Highest & Best use of City Properties
- The General Services Department (GSD) issued Municipal Facilities Space Optimization Project Status Reports, in 2012 and again in 2013, providing information about the progress on the space consolidation initiatives listed in the 2009 Plan

The rest of Section 2 of this report will identify progress against goals outlined in the 2009 Plan and areas where further progress can and should be made. In this way, the 2014 Plan can continue to build upon a well-developed foundation.

2.2 Progress on Goals Outlined in the 2009 Strategic Plan

The progress to date on Goals outlined in the 2009 Strategic Plan is well-described in the "Real Estate Strategic Plan Review" and will not be repeated here. However, Table 2-1 below summarizes progress toward achieving the 2009 Strategic Goals.

Table 2-1: Progress during 2009 – 2014

2014 Guiding Principles	Guiding Principles in the 2009 Strategic Plan	Progress during 2009 – 2014
Support City Services and Public Access	<ul style="list-style-type: none"> • Departments should be clustered together by purpose or customer to improve operational effectiveness and service 	<ul style="list-style-type: none"> • The City established two clusters at Figueroa Plaza 201 and 221
	<ul style="list-style-type: none"> • City governing bodies and their support departments should be localized in close proximity to each other in the Civic Center 	<ul style="list-style-type: none"> • Departments have been relocated from many leased spaces to City-owned buildings
	<ul style="list-style-type: none"> • Office functions should be consolidated in fewer locations, which leads to occupancy cost savings and operational efficiencies 	<ul style="list-style-type: none"> • Leases were terminated and authorized positions relocated to City-owned properties. • The City saved money by terminating leases and consolidating staff in few locations
	<ul style="list-style-type: none"> • A comprehensive computer database is essential for the management of real estate assets 	<ul style="list-style-type: none"> • Five potential Asset Management System (AMS) suppliers were screened and identified • The City is well-positioned to procure AMS
	<ul style="list-style-type: none"> • Professional asset management must support the delivery of City services. Decisions must be made in support of human resources, customer satisfaction, and information technology 	<ul style="list-style-type: none"> • The City is considering the procurement of an AMS • The City is moving departmental staff in groups from leased to City-owned properties
Be Environmentally Responsible	<ul style="list-style-type: none"> • Every City facility should be a “Green Facility.” All new buildings must be LEED Silver or higher 	<ul style="list-style-type: none"> • Twenty-three of 49 large City projects (which were completed between 2002 and 2013) have LEED Silver, Gold, or Platinum rating. • The City will continue the “greening of LA”
Optimize Economic and Financial Benefits	<ul style="list-style-type: none"> • Long-term office needs should be satisfied with long-term solutions 	<ul style="list-style-type: none"> • Parker Center has been vacated in anticipation of constructing a new building
	<ul style="list-style-type: none"> • A balance should be maintained between owned and leased facilities so that the City can benefit as market conditions and space requirements change 	<ul style="list-style-type: none"> • The City has aggressively relocated staff from leased spaces to City-owned properties. • The City still leases a significant number of workspaces for its staff
	<ul style="list-style-type: none"> • Short-term office needs should be satisfied via flexible leases 	<ul style="list-style-type: none"> • A number of leases have already expired or have early termination clauses. A number of leases are positioned to be re-negotiated or terminated
	<ul style="list-style-type: none"> • All retail revenue-generating opportunities using public-private partnerships should be maximized 	<ul style="list-style-type: none"> • The City is developing a framework for evaluating public-private partnerships to maximize revenues
Be Cost Effective	<ul style="list-style-type: none"> • Joint-use facilities (i.e., maintenance yards) are more cost-effective than single purpose facilities 	<ul style="list-style-type: none"> • The City reviews joint-use properties on a case-by-case basis
	<ul style="list-style-type: none"> • Facilities that are over 50 years old should be replaced or revitalized 	<ul style="list-style-type: none"> • The City will continue to evaluate and remediate these properties in a systematic manner
	<ul style="list-style-type: none"> • Surplus property should be disposed of immediately (sell, reuse, or develop) 	<ul style="list-style-type: none"> • Significant resources have been generated in disposal of surplus properties. • The “Own a Piece of LA” initiative has led to faster disposition of surplus properties
	<ul style="list-style-type: none"> • Non-profits in City facilities must be profitable either through services or rent 	<ul style="list-style-type: none"> • A Non-Profit Lease Subsidy policy has been put forward but not yet approved

2.3 Observations and Areas for Improvement

PA's previous recommendations pertaining to the 2009 Plan and analysis in 2014 Plan are summarized below in Table 2-2, with the intent of building on the Plan's successes and lessons learned. This document provides a set of projects (see sub-Section 4.2) to bring the City closer to realizing the visions and missions of the 2009 and 2014 Plans.

Table 2-2: Previous PA Recommendations and Current Analysis

2009 Strategic Plan Elements	Previous Recommendations in PA Deliverables	2014 Strategic Plan Analysis
Guiding Principles	<ul style="list-style-type: none"> PA reviewed the 14 Guiding Principles from 2009 and linked them to 4 simplified, new Guiding Principles in 2014 	<ul style="list-style-type: none"> This Study maps four Guiding Principles to a set of nine (9) recommended projects This Study provides a project description, profile, and brief implementation plan for each recommended project
Civic Center Concept	<ul style="list-style-type: none"> PA recommended the City continue its efforts to finalize the Civic Center Complex and the construction of a new office Building at the Parker Center site 	<ul style="list-style-type: none"> Plans to construct a new, 750,000 SF building are under review by the City Parker Center has been vacated in anticipation of constructing a new building
	<ul style="list-style-type: none"> PA recommended that the City's leasing be outsourced to a commercial provider PA recommended exploring alternative leasing options with the non-City tenants 	<ul style="list-style-type: none"> The City plans to have 93,000 SF of vacated space in 201 Figueroa Plaza in late 2014 The City is considering updated space optimization plans for the Figueroa Plaza
Los Angeles Mall	<ul style="list-style-type: none"> PA and Cushman & Wakefield recommended that LA Mall management be transferred to a private development firm The optimization of the LA Mall use should also consider synergies which may arise from potential new developments at the Parker Center site and City Hall South 	<ul style="list-style-type: none"> The City is currently considering options for re-development of the LA Mall via public-private partnerships
Cost-Effective Management of Assets	<ul style="list-style-type: none"> The City should seek to optimize (economic) value comprehensively for all of its real estate assets 	<ul style="list-style-type: none"> PA recommended a vendor contract manager to handle the outsourcing of the leasing function. PA recommended another manager to handle buildings that are City-owned
Public Access	<ul style="list-style-type: none"> PA recommended that the City should apply the "4 Cs" – Comprehensive, Consistent, Coordinated and Cost-effective when analyzing the delivery of decentralized services 	<ul style="list-style-type: none"> This Study recommends that the City coordinate delivery of City-wide services beyond the City Hall, Civic Center, and Figueroa Plaza
Economic and Financial Benefits of Assets	<ul style="list-style-type: none"> PA has reviewed a draft of the pending "Non-Profit Lease Subsidy and Real Property Sale Policy" and recommends the approval and adoption of the Policy by Council and Mayor 	<ul style="list-style-type: none"> This Study recommends that the City coordinate compliance audits of the "Non-Profit Lease Subsidy and Real Property Sale Policy", once it is adopted

3 OVERVIEW OF THE CITY'S REAL ESTATE ASSETS

3.1 Space Optimization Opportunities

3.1.1 Relocation Analysis of 13 Leased Properties

PA Consulting analyzed the capacity of 26 City-owned properties to absorb a number of staff potentially relocating from 13 leased properties. The City continues to seek to relocate staff from leased to City-owned properties in order to “Optimize Economic and Financial Benefits” (Strategic Goal 3) and “Be Cost Effective” (Strategic Goal 4). In this way, the City could continue to 1) reduce the City's reliance on expensive leased space and 2) co-locate City services to promote ease of access.

Detailed data sets for the 13 leased and 26 City-owned properties are provided in Appendix A for ease of reference. PA Consulting's recommended relocations scenarios are listed below in Table 3-1. These relocation scenarios are provided as options and would require additional financial analysis and approval of the Municipal Facilities Committee, City Council and relevant Council Committees.

Table 3-1: Potential Staff Relocation Options during 2014 – 2020

Property	Lease Expiry	Region	Dept.	Work Spaces	Relocation Options	Relocate Earliest	Notes
1. 6640 Van Nuys	09/30/2012 (expired)	Valley	HCID	12	Marvin Braude or Van Nuys NCH	2014	Insufficient City-owned space currently available in LA Valley Region
2. 3583 Crenshaw (United One Bank)	10/24/2013 (expired)	Central LA	EWDD	4	Garland Bldg.	2014	Community presence – geographically desired. EWDD has its own budget – no impact on Gen'l Fund
3. 14400 Erwin	7/31/2014	Valley	Police	4	Keep staff in place	_____	Near Van Nuys Court-house. Must keep police near the courthouse
4. 690 Knox	10/31/2014	South LA	HCID	35	Keep staff in place	_____	Geographically desired location. HCID has its own budget – no impact on General Fund
5. 312 S. Hill	12/31/2014	Central LA	City Attorney	36	Garland Bldg. (or Civic Center)	2014 (or 2019-20)	Must be close to Family Center / Criminal Hall; the City is currently working on a new 5-year lease

Table 3-1 continued on the next page

Table 3-1 (continued): Potential Staff Relocation Options during 2014 – 2020

Property	Lease Expiry	Region	Dept.	Work Spaces	Relocation Options	Relocate Earliest	Notes
6. 2215 N. Broadway	10/04/2015	Central LA	HCID	28	El Sereno NCH - Constituent Ctr. (or Civic Center)	2014 (or 2019-20)	Would be possible to relocate to NCH at 5601 N. Figueroa if City rehabilitates this property
7. 3550 Wilshire Blvd (Paramount Plaza)	06/30/2016	Central LA	DBS, HCID, Police	115, 80, 22	201 Figueroa Plaza (or Civic Center)	2016 (or 2019-20)	The City will likely have 93,000 SF new space at the end of 2014 at 201 Figueroa Plaza
8. 14553 Delano	07/14/2016	Valley	Transportation	12	Marvin Braude (or Van Nuys NCH)	2016 (or 2016)	Property adjacent to Marvin Braude
9. 304 S. Broadway (Bradbury Building)	01/31/2017	Central LA	Police	291	201 Figueroa Plaza (or Civic Center)	2017 (or 2019-20)	The City will likely have 93,000 SF new space at the end of 2014 at 201 Figueroa Plaza
10. 4215 S. Crenshaw	09/30/2017	Central LA	Police (South Traffic Bureau)	164	Marlton Square (or any other new City-owned property)	TBD	Very difficult to move 164 police staff without building or acquiring new office space
11. 1200 W. 7 th (Garland Building)	02/28/2019	Central LA	HCID, EWDD, Personnel	522, 148, 11	Civic Center	2019-20	Leave in place until 2019 - 20. The City will eventually move everyone out of the Garland Building
12. 9911 W. Pico	06/30/2019	Valley	Transportation	12	West LA NCH (or West LA Civic Center)	_____	The City is currently working on a new 5-year lease at 1575 Westwood Blvd.
13. 900 Third	None	Valley	City Attorney, Police	4, 5	Keep staff in place	_____	Satellite site of Marvin Braude staff

Note 1 – All potential relocation opportunities require consideration and approval by the MFC and/or City Council and should be requested under separate cover.

3.1.2 Work Space Demand Exceeds Current Capacity

Based on the above data provided by the City, PA estimates roughly 1,700 authorized positions in leased space can be potentially relocated across all four generally designated Los Angeles Regions. However, the current estimated number of vacant City-owned workspaces is roughly 750. Although the 2012 Space Optimization Plan resulted in many fewer vacancies, the City should endeavor to double its capacity. The City will likely have 93,000 SF of new space at by mid-spring 2015 at 201 Figueroa Plaza, which would provide roughly half of the needed extra capacity.

In addition to relocating staff, the City should consider increasing City-owned building capacity by a combination of 1) building a new Civic Center Building, 2) decreasing workspace size (for example, through use of standardized cubes or open “office of the future” configurations), and 3) implementing “hoteling” (and other “work-outside-of-the office” programs) for classifications primarily assigned to the field to reduce space utilization. Each of these options would require investment and careful planning.

- **Space Optimization:** A 2012 space survey conducted by GSD Real Estate Services reported a vacancy rate of approximately 18 percent. However, it is important to note that those vacancies were mostly scattered. As part of the 2012 Space Optimization Plan, the MFC acted to relocate City staff from leased locations to fill contiguously located vacant workspaces such as whole floors in City Hall and large vacant spaces on the 10th floor of City Hall East
- **Recommendation:** As recommended in the 2009 Strategic Plan, the City should continue in its efforts to build a New Civic Center Building. This additional space is needed in order to continue to 1) reduce the City's reliance on expensive leased space and 2) co-locate City services and promote ease of access

Figure 3-1: Number of Authorized Positions Which Could Be Relocated

13 Leased Properties			26 City-Owned Buildings			
City-Owned or Leased Facility	Leased		City-Owned or Leased Facility	City-Owned		
LA Region	Sum of Total Square Feet	Sum of Authorized Positions	LA Region	Sum of Total Square Feet	Authorized Positions	Estimated Number of Vacant Positions
Central Los Angeles	355,506	1,630	Central Los Angeles	3,314,973	6,485	666
South Los Angeles	9,797	35	South Los Angeles	129,637	176	44
Valley Region	16,960	49	Valley Region	239,134	506	9
West Los Angeles	-	-	West Los Angeles	91,569	131	34
Grand Total	382,263	1,714	Grand Total	3,775,313	7,298	753

Note that the analysis above refers to the 26 selected, City-owned properties and the 13 selected, leased properties only. The key takeaway is that these 26 City-owned properties do not currently have enough available workspaces to absorb all authorized positions from the 13 leased properties.

The City's ability to relocate leased space will depend on 1) the number and timing of positions being relocated and 2) the availability of space in City-owned properties to absorb the relocations. Note that leased space relocations would have to occur over a five-year period based on the current differing lease

expiry dates. PA endeavored to find staff which could be relocated from leased space to City-owned buildings that house members of the same department.

As mentioned above in Section 3.1.2, the City may not currently have sufficient capacity in City-owned buildings to accommodate relocation away from leased workspaces. The City must balance the need to minimize the risk of “stocking out” of available City-owned space with the need to reduce costs of relocation until the new proposed 750,000 SF building (on the Parker Center site) has been constructed. If the new building is not completed and in service by 2019-20, then other options will have to be contemplated, such as leasing more space.

Observations / Recommendations for Leased Positions in Central Los Angeles:

- **Observation:** The number of vacant workspaces has been greatly reduced by the filling of positions as well as other actions taken in the 2012 Space Optimization Plan. As a result, it is considered unlikely that sufficient contiguous space could be found to execute all requested relocations from leased buildings to City-owned buildings. By relocating staff from leases expiring between 2014 through 2017 to known vacancies, only 522 of 1722 (30%) requested relocations, and only 139,716 SF out of 460,906 SF (30%), could be theoretically fulfilled in Central Los Angeles. Approximately 70% of the remaining leased positions and square footage could only be relocated after 2019-20 when additional capacity is identified
- **Recommendation:** The City should continue in its efforts to build a New Civic Center Building, which would provide new capacity of 750,000 square feet. The City needs this additional capacity as soon as possible
- **Observation:** Relocating staff from one building to another is expensive. On average, it is estimated at \$10,000 per relocation. The City should endeavour to relocate each position only once, if and when possible
- **Recommendation:** Staff should be moved only once, where feasible, to their 2019-20 planned location. City staff located at leased locations could stay in place until 2019-20
- **Observation:** Timing will be critical for relocating leased space to available City-owned properties.
- **Recommendation:** Keep staff in leased spaces until the moment that the new City-owned spaces are ready to be occupied. Avoid situations where space is not yet available
- **Observation:** The City should manage risk carefully. New buildings might not be constructed by 2019-2020. The size of City government may be sensitive to economic conditions during the coming 5 years
- **Recommendation:** The City may have to develop preventive risk management plans such as consolidating space in City-owned buildings and revising the current space standards in order to make space available for staff relocating from leased spaces. The City should also develop contingent risk plans that could include extending current leases or expanding City-owned space

3.1.3 Potential Asset risk management strategy: continue “hoteling” to increase available capacity

There is a relocation strategy that already saves money for the City. Many corporations, and some municipalities (including Los Angeles), have lowered their space utilization risk by downsizing their rental footprints, thereby increasing utilization rates while decreasing their general and administrative expense. Corporate firms like Accenture and Price-Waterhouse Coopers, for example, have implemented office “hoteling,” meaning that they allow consultants to work remotely more frequently and create temporary “hotspots” at the office for temporary use when needed.

The process of hoteling involves new infrastructure costs, such as providing laptops to staff who regularly work from outside the office. These costs are likely to be much lower than the savings achieved by reducing utilization of the City’s building space. Indeed, many corporations have used hoteling as a means to compete on the basis of efficiency, flexibility, and low cost (including PA Consulting).

- **Observation:** The City allows telecommuting where possible. However, most of the jobs being performed and under review are service-oriented jobs that 1) cannot be performed from home, such as Police work and street or public services work or 2) require customer interface, such as certain administrative work, permitting, etc.
- **Recommendation:** Nevertheless, the City should consider Hoteling where appropriate, which increases the capacity of City-owned buildings. By implementing “work-outside-the-office” programs resulting in 10% more hoteling, savings can be achieved. This option is quite common in service industries as it serves to decrease building utilization while lowering costs. Hoteling can be used effectively in conjunction with other options, such as reducing workspace sizes.

3.2 Transition to a Greener Portfolio

This topic is well covered in Section 3.1 (pages 34-35) of the “Real Estate Strategic Plan Review.”

3.3 Overview of the City’s Proprietary Departments

Three proprietary departments of the City of Los Angeles – the Los Angeles World Airports (LAWA), the Port of Los Angeles (Port), and the Department of Water and Power (DWP) – together contract for more than a billion dollars’ worth of goods and services and receive several hundred million dollars in lease revenue annually. These three entities are considered financially independent of the City and self-sustaining, except that they transfer a percentage of their revenues to the City’s General Fund each year. These proprietary departments are established in the City Charter, as self-supporting departments and thus perhaps are run more like businesses than governmental bodies. However, the City could probably learn much from how these entities address problems related to leasing and asset management processes. In particular, LAWA, Port, and DWP have found ways to make real estate processes more transparent and efficient while gaining the public trust.

The Port, DWP, and LAWA provide good and reasonable process examples for the City of Los Angeles to consider in the areas of Real Estate Management, Portfolio Management, Knowledge Management, and use of AssetWorks (Port). Detailed analyses of the Port, DWP, and LAWA examples are provided in Appendix C. Note that a more detailed analysis of the Port’s use of AssetWorks and LAWA’s use of Documentum (a document retrieval system) can be found in the AMS report.

- **Recommendation:** PA recommends that the City selectively adopt elements of the Port's approach to Strategic Asset Management policy and Strategic Portfolio Management. By doing so, the City can utilize the following processes:
 - Implementation process for AssetWorks (an AMS) at the Port of Los Angeles; familiarization with the system and lessons learned
 - Conduct regular comparisons and analyses of actual versus planned performance for each property / asset
 - Perform deep financial analysis of each property to identify well- and poorly- performing properties and report outcomes fairly and accurately
 - Conduct discounted cash flow analysis on project, property, and portfolio data collected periodically
 - Implement a portfolio of Asset Management projects successfully
 - Publish quarterly asset performance scorecard for review
 - Conduct annual (or semi-annual) reviews and reporting

4 REAL ESTATE STRATEGIC GOALS AND OBJECTIVES

4.1 Description of City's Strategic Asset Management Process

The New Real Estate Asset Management Process (or "Model") was well-described in Section 3.1 of the "Real Estate Strategic Plan Review" document. This section described the four primary goals of this model as follows:

- **Support City services** - The City's primary interest in its facilities must be to ensure that those facilities support its ongoing operations. The City must provide safe and convenient public access to its services. It also must strive for improved efficiency in City operations by ensuring that City workers are located in proximity to those with whom they do business, and by providing safe, clean sites that are technologically up-to-date.
- **Optimize economic and financial benefits** – The City should consider how the properties can generate other benefits, such as job creation, economic growth, revenues, or providing space to non-profit organizations that provide significant and needed community benefit. As it undertakes these efforts, the City should look to identify where public-private or public-public partnerships are effective tools. In addition, the City should identify and prioritize properties with private use restrictions: all the properties identified as high potential by the CAO Asset Management Strategic Planning (AMSP) should be reviewed by the MFC, with the help of the new entities in charge of economic development efforts, and a revenue optimization plan should be developed.
- **Be cost-effective** - Regardless of how the facilities are used, the City must manage its properties in the most cost-efficient manner possible. In this era of reduced revenues, ensuring that properties are acquired and maintained at the lowest effective cost is critical.
- **Be environmentally responsible** - As a socially responsible and global organization, the City has both a fiscal and moral imperative to maintain its properties in an environmentally responsible manner.

The 2014 Plan (this document) will provide a roadmap and high-level implementation plans for realizing the City's Real Estate Strategic goals and objectives.

4.1.1 Overview of RE Asset Management Process

The Asset management process requires accurate and complete data at the property level. Property decisions regarding sale or retention, maintenance or renovation expenditures, rental rates, and financing options require valid and readily available information. Incomplete financial information at the property level, absence of market data (e.g., competitive rental rates and sale value), and expense data not fully segregated by property will hinder effective asset management and result in the failure of the portfolio to meet the needs and expectations of the City's diverse constituents. Until net financial results (revenues less expenses) are known (or at least accurately estimated), the City cannot easily judge whether a specific real property creates a net financial inflow or drain. The need to have a complete picture of how real property assets influence the financial standing of the City is a key reason for introducing modern asset management models.

A new real estate asset management process should help the City of Los Angeles clarify and define the contents of its real property portfolio, as well as to monitor and control its functional and financial

performance. The City of Los Angeles needs a comprehensive Asset Management Plan (which goes well beyond this 2014 Plan) to manage their property assets effectively and efficiently. The City should consider adopting key elements of private sector asset management practices such as:

- Site-based management, accounting, budgeting, financial planning and operations
- Relevant and regularly updated databases on physical, operational and financial characteristics of properties and supported by audits, intensive financial analyses, real estate appraisals, and accurate property accounting and financial planning
- Annual (or semi-annual) reviews and reporting at the property and aggregated levels
- Private market benchmarks, including market value of all owned and leased properties
- Financial tools and performance standards used in the real estate market (such as return on investment and capitalization rate calculations)
- Introduction of effective competition to leasing, sales, and sourcing of services and materials
- Culling of smaller properties through sale to improve portfolio management efficiency

The application of these practices can be combined into four principal areas on the part of the City:

- **Build, “cleanse”, and maintain a property inventory database.** The asset management process is dependent on accurate and thorough data. Some of this data, such as addresses and physical characteristics, will rarely change. Other data, such as financial performance and occupancy, will change frequently and should be updated periodically. ISO 15489, the International Organization for Standardization’s acclaimed document providing guidance for “Information and Records Management”, is described at a strategic level below in section 4.1.2. ISO 15489 provides an excellent guide for the City to manage its property inventory database at both the implementation and operational levels.
- **Assign a team (or create a small group) dedicated to real-estate asset portfolio management.** Responsibility for portfolio management should be centralized so that a department and individual officials in that department are accountable for the results of portfolio management processes.
- **Classify properties according to their intended functions.** The “hold or dispose” decision by the City for each particular property asset should depend substantially on why the property is needed and how it is used. Whether a building is used for a core function such as housing the city government itself, or for social functions such as community outreach, must influence further asset management decisions.
- **Implement asset management and project management best practices.** Once strategic goals have been established and an organization is formed, rigorous asset management practices (per ISO 55000) should be implemented. ISO 55000, the International Organization for Standardization’s new (2014) acclaimed document providing guidance for “Information and Records Management”, is described below at a strategic level in section 4.1.3. ISO 55000 provides an excellent guide for the City to manage its real estate assets at both the implementation and operational levels. City real estate professionals must focus on achieving the goals set forth by not only monitoring daily and monthly real estate asset performance but also by planning and executing projects to achieve long-term asset management strategies. It is very important that the City establishes agreed-upon objectives, initiates and defines efforts (via project charters) to achieve those objectives, assigns teams, plans the projects, monitors progress toward project completion, and then turns over project outcomes and deliverables to management. Rigorous asset and project management practices will ensure these ends.

4.1.2 Information and Records Management – ISO 15489

ISO 15489 is a well-known and well-accepted international standard, published in 2001, that provides a detailed blueprint for information and records management. In many ways, managing the City’s real estate information well is a critical success factor for the success of the City’s real estate function. A strategic summary of ISO 15489 is provided below in Table 4-1.

Table 4-1: ISO 15489 Strategic Summary

Strategic Elements in ISO 15489	Strategic Purpose
<ul style="list-style-type: none"> Provides standardized information and records management policies and procedures, as well as best practices 	<ul style="list-style-type: none"> Ensures that appropriate attention and protection is given to all City real estate records (including real estate data and documentation) Ensures that evidence and information on real estate records can be retrieved more efficiently and effectively, using standard practices and procedures. Establishes consensus on international best practices among participating ISO member countries (including the USA) for Information and Records Management Recommends implementation options, based on large number of previous implementation projects, included a quality process framework (such as ISO 9001 and/or ISO 14001)
<ul style="list-style-type: none"> Provides practical guidance on managing the City’s information and records 	<ul style="list-style-type: none"> Applies to the management of records, in all formats or media, created or received by any organization or any individual with a duty to create and maintain records Provides guidance on the responsibilities and authorities of organizations for records and records policies, procedures, systems, and processes Provides guidance on the design and implementation of records systems Provides the benefits of providing services related to the management and use of records Integrating records management into the organization’s processes and systems
<ul style="list-style-type: none"> Provides a systematic approach to safeguarding the City’s valuable information assets 	<ul style="list-style-type: none"> A systematic approach to the management of records can protect and preserve records as evidence of actions (or appropriate inaction) A records management system can support business decisions and activities as well as accountability to stakeholders Enables the City to deliver services in a consistent and equitable manner Supports and documents policy formation and managerial decision making Provides strong communication, consistency, continuity, and productivity among real estate stakeholders – “one source of the truth” Meets legislative and regulatory requirements for archival, audit, and oversight activities Maintains organizational, individual, and collective memory

Please note that project (d) in Section 4.2 below describes “Manage Document Management System (DMS) lifecycle, which should be addressed within the bounds of ISO 15489.

4.1.3 Asset Management – ISO 55000

ISO 55000 is a relatively new (2014) but well-known international standard that provides a detailed blueprint for asset management. In many ways, managing the City’s real estate assets well is also a

critical success factor for the success of the City’s real estate function. A strategic summary of ISO 55000 is provided below in Table 4-2.

Table 4-2: ISO 55000 Strategic Summary

Strategic Elements in ISO 55000	Key Strategic Purposes
<ul style="list-style-type: none"> Provides standardized asset management term definitions, policies and procedures, as well as asset management best practices 	<ul style="list-style-type: none"> Leverage Standard Asset Management Processes and Procedures – ISO 55000 defines “Asset management process” as the balancing of costs, opportunities and risks against the desired performance of assets, to achieve the organizational objectives. The balancing might need to be considered over different timeframes. Asset management enables an organization to examine the need for, and performance of, assets and asset systems at different levels. Leverage Standard Asset Management System Components – ISO 55000 defines an “asset management system” as a set of interrelated and interacting elements of an organization, whose function is to establish the asset management policy and asset management objectives, and the processes, needed to achieve those objectives. In this context, the elements of the asset management system should be viewed as a set of tools, including policies, plans, business processes and computer information systems, which are integrated to give assurance that asset management activities will be delivered. Leverage Asset Management Standards and Best Practices – ISO 55000 establishes consensus on international standards and best practices among participating ISO member countries (including the USA) for Asset Management.
<ul style="list-style-type: none"> Provides practical guidance on implementing an asset management system to manage the City’s real estate assets 	<ul style="list-style-type: none"> Implement Asset Management (information) System (AMS) – ISO 55001 provides guidance on determining the scope of the asset management information system (AMS) as well as organizational roles, responsibilities and authorities during implementation Implement Asset Management Processes and Tools – ISO 55001 suggests actions to plan for risk, gather information requirements, control asset management operations (for example, change management and outsourcing), evaluate asset management performance, improve process conformance (non-conformance and corrective action), and other key processes. ISO 55002 provides more detailed implementation guidance.
<ul style="list-style-type: none"> Provides a systematic approach to achieving the benefits of strong management of the City’s real estate assets 	<ul style="list-style-type: none"> Improve financial performance: ISO 55000 outlines how to improve the return on real estate investments and to reduce costs while preserving asset value Inform asset investment decisions: ISO 55000 will enable the City to improve decision making and effectively balance property costs, performance, and value Manage risk: ISO 55000 covers reducing financial losses (e.g., via deferred property maintenance), improving regulatory compliance, minimizing environmental impact, reduced liabilities such as deferred maintenance and higher insurance Improve services: ISO 55000 covers improving (real estate) asset management services that consistently meet or exceed the expectations of City stakeholders Demonstrate social responsibility: Improves the City’s ability to, for example, reduce emissions, conserve resources and adapt to climate change demonstrates social responsibility and ethical practices and stewardship Improve City governance: Transparently adheres to asset management standards and best practices demonstrates strong City governance Enhanced reputation: Improves City reputation through improved stakeholder satisfaction, awareness of City best efforts, and confidence in the City’s actions Improve organizational sustainability: Effectively manages short and long-term effects, expenditures and performance, and improves the sustainability of operations and the organization Improve achievement of City strategic objectives: reviewing and improving asset management processes, procedures and asset performance can improve efficiency and effectiveness, and the achievement of the City’s strategic objectives

Please note that project (d) in Section 4.2 below describes “Manage Document Management System (DMS) lifecycle, which should be accomplished within the bounds of ISO 15489.

4.1.4 Interim Property Inventory Database

While the City’s old Asset Management System is no longer in use, the current database architecture consists mostly of multiple Excel spreadsheets which are not part of an integrated system. PA Consulting was asked to aggregate all the City properties data into one unique database.

PA has completed this task and provided GSD with an interim property inventory database. In addition, PA developed a tool which:

- Automates the process PA implemented to build the new database (i.e. the aggregation of data from multiple spreadsheets into one unique database);
- Provides a query function; and
- Automates some of the GSD Real Estate Services Division functions (such as entering the information related to a new acquisition)

PA demonstrated the tool to GSD, CAO, CLA and the Mayor’s Office and installed it on GSD’s server.

4.2 Implementing the 2014 Strategic Real Estate Plan

PA recommends that the City launch nine (9) projects, organized into four components, to implement the 2014 Plan (see Table 4-3 below). The project teams would likely be composed of consultants and City staff. Should the City decide to take on these projects, assignment of lead agencies to each project should be left to the City’s discretion. Note that once these projects are completed, and the benefits realized, these teams would be dissolved.

Each team would be responsible for delivering multiple projects which contribute working parts to the overall program success. This section profiles these initiatives in process model format. In Section 6 of this report, each project in Table 4-3 is converted into a high-level implementation plan, which will guide the teams as they plan their work in detail.

Table 4-3: Recommended Projects in 2014 Plan

Asset Management Process Components	Recommended Projects (note 1)	Project Objectives
1. Governance and Deployment Management – see subsection 4.2.1	<ul style="list-style-type: none"> a. Asset Management Program Planning and Launch b. Property Inventory Database (PID) development 	<ul style="list-style-type: none"> • Perform detailed planning for RE asset management projects during first phase • Establish asset management program governance • Ensure all City-owned property is properly identified, characterized, and inventoried as defined by the new Asset Management Framework (recently proposed by AMSP) • “Cleanse” existing property records
2. Technology Management – see subsection 4.2.2	<ul style="list-style-type: none"> c. Manage Asset Management (information) System (AMS) Lifecycle d. Manage Document Management System (DMS) Lifecycle 	<ul style="list-style-type: none"> • Establish Asset Management standards per ISO 55000: 2014 • Procure and implement the AMS via RFP process • Establish standards for Information and document management per ISO 15489 • Procure and implement a Document Management System (DMS) via RFP process • Test installed AMS and DMS systems • Ensure systems meets business, functional, and technical requirements • Maintain systems, ensure availability to users • Ensure data availability and data integrity • Resolve asset and data management problems using procured systems (i.e., avoid using spreadsheets and other “workarounds”)
3. Data Management – see subsection 4.2.3	<ul style="list-style-type: none"> e. Operating Statements for Properties f. Financial Analysis and Reporting for Properties, Portfolios, and Projects g. Asset Management Balanced Scorecard 	<ul style="list-style-type: none"> • Conduct a regular comparison and analysis of actual versus planned performance for each property, portfolio, and project • Perform deep financial analysis of each property to identify well- and poorly- performing properties • Create process for publishing quarterly asset management performance balanced scorecard • Maintain asset management balanced scorecard databases and processes
4. Asset Portfolio Management – see subsection 4.2.4	<ul style="list-style-type: none"> h. Asset Portfolio Optimization i. Manage Portfolio of Surplus Property 	<ul style="list-style-type: none"> • Support portfolio management processes and services for Surplus Property • Develop a process for asset portfolio optimization • Conduct periodic portfolio tracking and oversight reviews • Maintain and report portfolio metrics • Provide communications management • Actively participate in and monitor an asset portfolio governance process • Facilitate consistent timelines and methods for all types of portfolios • Train and certify real estate employees as Portfolio Management Professionals (PfMPSM)

Note 1: teams are designed to call for part-time contributions from multiple City staff and possibly consultants

The remainder of this sub-section (4.2) will briefly describe Projects (a) – (j), which PA proposes as a way of implementing the new RE Asset Management Model. Section 6 will provide an implementation plan for each of these projects. Detailed Section 4.2.1 below covers the Process/Model profiles of the first of four components.

4.2.1 Governance and Deployment Management

Project (a) – Asset Management Process Planning and Launch

PA has drafted a high-level implementation roadmap for deploying the 2014 Plan (see Section 6). To ensure that the roadmap is followed, the City must establish governance for the Asset Management Program. The purpose of Deployment Planning and Launch is to lead initial efforts during Phase 1 of the Program, so that asset management program momentum can be built. It is axiomatic that organizational and operational change are difficult and do not happen quickly. In view of this, the Deployment Planning and Launch team should lay the groundwork for successful implementation of the new Real Estate Asset Management model, as well as driving the initial initiatives

Strategy:

- The City has made significant progress on the 2009 Plan, and will soon start implementing the 2014 Plan
- If the City assigns a small core team to drive initial implementation of the 2014 Plan, then the projects in the plan will be more carefully and consistently planned and launched
- If the core team plans and launches the projects of the 2014 Plan, then project execution will be better, faster, and less expensive
- If project execution is better, faster and less expensive, then benefits will accrue more quickly
- If benefits accrue more quickly, then more value will be delivered at lower costs
- If more value is delivered at lower cost, then stakeholders will be happy
- If stakeholders are happy, then the program will gain momentum and be successful

Project Objectives:

- Initiate the projects called out in the 2014 Plan
- Define, organize, and plan the projects
- (Begin to) track and manage progress
- Build momentum

Key Tasks:

- Drive RFP process for procuring the AMS
- Drive RFP process for procuring the Document Management System (DMS)
- Develop an AMS program proposal and obtain approval
- Develop a DMS program proposal and obtain approval

- Establish program structure, define program framework (planning, tracking, practices, relationships, issues, communications)
- Develop charters and detailed plans for projects b – i. Create program work breakdown structure, preliminary project schedules, preliminary integrated schedule, refined estimates and commitments, optimized plan, risk management, and transition to management
- Track and manage: collect status, analyse variances, plan and take adaptive action, and report program status

The Deployment planning core team will lead and coordinate Phase 1 Systems effort (see High-Level initiative roadmap” in the “Selection of the Asset Management System” report). The Deployment planning team can be a special task force or work group, but it should have a sufficiently high priority and status (that is, level in the organization) for making the overall program happen. This initial effort could be for 6 – 12 months or so, after which further decisions will be made.

Critical success factors for the Deployment planning team in enabling change in the Asset Management program:

- Importance – high level of perceived importance within the City organization
- Motivation – individual performance appraisal tied to performance on success of asset management projects
- Empowerment – encouraging involvement and ownership. Providing resources and training to the team members
- Visibility – establishing team metrics. Tracking and managing team performance

Appendix D.1 provides a profile for “Deployment Planning and Launch”. See Section 6 of this report for a high-level implementation plan for this project.

Project (b) – Property Inventory Database (PID) development

PA delivered an interim Property Inventory Database (see Section 4.1.4 of this report), though the initial data collected is considered incomplete and in need of “cleansing” and maintenance. Creation of a more comprehensive and accurate Property Inventory Database, with robust information on all City real estate assets, is a crucial first step in implementing the AMS effectively. Thoroughly cleansed property data will allow the City to analyze real property assets and portfolios.

PA proposes a comprehensive examination of the inventory of assets within the Asset Management Portfolio, which has amassed over many years. The City should assess the current physical and financial state of the portfolio, ownership and debt structure, and market-based “comparables” on similar properties. In addition, PA recommends that the City put a records management policy in place and define and assign records-related responsibilities to individuals (this will be further discussed in project (d)).

Strategy:

- The City does not currently have a complete, accurate, integrated, and readily accessible collection of real property portfolio information nor a successful AMS implementation
- Successful AMS implementation will depend on cleansed real estate data AND having a records management policy in place to define and assign records-related responsibilities to individuals

- The City can store real-estate data in MS Excel while AMS is being procured and installed, and then easily migrate this data to AMS
- If the City updates and cleanses available real estate data in the interim Property Inventory Database (iPID), then the City can prepare to implement AMS more effectively
- If the City collects data on the current physical and financial state (e.g., does appraisals) of City-owned properties, then the amount of deferred maintenance can be determined (and the City will be better prepared to implement AMS)
- If the City collects information on ownership and debt structure of City-owned properties, then the City will be better prepared to implement AMS
- If the City collects market-based “comparables” on similar properties (to City-owned properties), then the City will be better prepared to implement AMS

Project Objectives:

- Review and cleanse existing interim Property Inventory Database
- Develop a data acquisition and management plan (and execute it)
- Identify and acquire missing property data elements; upload to the PID
- Prepare PID data for migration to the AMS (once AMS has been procured and installed)
- Migrate the PID data to AMS

Key tasks:

- Review existing physical needs assessments, comparing to current replacement reserve levels, and best practice or agreed performance metrics
- Review existing property management contracts and benchmarking those contracts against market standards
- Review the current ownership and debt structure for each asset or group of assets, recommending optimal structures with particular emphasis on improving efficiencies, diminishing risk and enhancing cash flow or value
- Benchmark portfolio metrics (expense ratios, ROIs, etc.) against market standards

PA Consulting recommends the continued use of MS Excel as the information technology (IT) platform for inventorying properties until such time that the permanent AMS is procured and implemented.

Appendix D.2 provides a profile for developing the comprehensive Property Inventory Database (PID). See Section 6 of this report for a high-level implementation plan for this project.

4.2.2 Technology Management

The purpose of Technology Management is to avoid breakdowns in core areas of systems, which could limit the City’s ability to 1) manage its real estate assets effectively and 2) achieve its strategic goals.

Project (c) – Manage Asset Management (information) System (AMS) Lifecycle

Once the PID is updated and cleansed, then acquiring and deploying AMS is a high priority since several other proposed improvements hinge on the AMS information management capabilities. PA recommends

the City consider pursuing certification in ISO 5500x: 2014 (Asset Management), including ISO 55000, ISO 55001, and ISO 55002. These standards were released in Jan. 2014 and are currently considered “best practice”.

Strategy:

- Management of the City’s real property assets in an environment of fiscal constraints has created multiple demands on existing CAO and GSD resources: to respond to often conflicting requests, to adapt to changing priorities, to keep data records current and accurate, and to embrace market changes and best practices
- Without an integrated AMS to maintain real property asset data, City employees from different departments cannot easily share real estate data, understand the inter-relationships among real properties, nor model the impact of an individual property decision on the overall property portfolio
- A number of low-risk, fully-functional, off-the-shelf AMS products are available on the market (see the “Selection of the City of Los Angeles Asset Management System”)
- One of these products, called AssetWorks, was implemented at the Port of Los Angeles, which the City should investigate
- Other AMS products have been implemented at other municipalities
- The City should deploy a new, integrated AMS to avoid breakdowns in core areas of systems, processes, and human resources which are limiting the City’s ability to effectively manage its real estate assets and achieve its strategic goals
- The City should consider procuring an AMS in the next budgeting cycle

Project Objectives:

- Los Angeles City certification in ISO 5500x:2014 (internationally recognized standard for asset management)
- Develop and use a prescribed sequence of events in managing AMS application lifecycle
- Establish processes for AMS governance, that encompasses all of the decision making and project management for this application, extending from procurement through retirement of the application
- Establish processes for AMS development (includes upgrade and new versions). For most purchased applications, the development process reappears again several times in the application’s lifetime
- Establish processes for AMS Operations, the work required to run and manage the application, which typically begins shortly before deployment, then runs continuously until the application is removed from service

Key tasks:

- The City should pursue certification in ISO 5500x:2014. This may take 2 – 3 years
- Participate in the Request for Proposal (RFP) process to select and procure the AMS software
- Work with software supplier to ensure effective package implementation
- Set up the AMS software support infrastructure, in cooperation with the selected software supplier

- Operate and maintain software support routines (if it is a stand-alone package)
- Manage disaster preparedness
- Train the AMS user community
- Resolve asset management problems using the system (that is, avoid system “workarounds”)
- Maintain metrics databases in AMS (for use in scorecards)

Appendix D.3 provides a profile for acquiring and deploying an AMS and managing the system lifecycle. See Section 6 of this report for a high-level implementation plan.

Project (d) – Manage Document Management System (DMS) lifecycle

Real estate document management processes at the City are not currently optimized. For example, existing property data files are mostly stored on shared drives or in a centralized, hardcopy library, but they are neither controlled in a rigorous manner nor summarized for easy searching and reading. At present it is time-consuming and difficult to impossible for City staff to review related documents across the portfolio – no abstracts or key words exist for most of the documents.

Other municipalities and many businesses have streamlined routine and necessary processes, such as digitizing document summaries (metadata) and creating electronic document “taxonomy”, to enable staff to access needed documents online and focus their efforts on higher-value and higher-reward activities.

The objective of this project is to provide guidance on a Document Management System (also known as EDRM – Electronic Document and Records Management). With such a system in place, asset managers at the City would have instant access to the range of needed documentation to do their jobs quickly and effectively,

A wealth of knowledge exists to provide impartial, detailed and practical advice during all the stages of a proposed or actual EDRM system implementation that is free from vendor bias and specific to the needs of the public sector. ISO 15489 summarizes some twenty years of experience of assisting public sector organizations to define their requirements for EDRM solutions and all the data gathered from some four months of fact finding.

Strategy:

- Records, including documents, contain information that is a valuable resource and an important organizational asset
- A systematic approach to the management of records is essential for organizations to protect and preserve records as evidence of actions
- Implementing a document management system (DMS) results in a source of information about the organization’s activities that can support subsequent activities and decisions, as well as ensuring accountability to present and future stakeholders
- To improve decision-making and accountability, the City needs a Document Management System (DMS)
- ISO 15489 clearly lays out standard record policies and procedures that ensure appropriate attention and protection is given to all records, and that evidence and information they contain can be retrieved more efficiently and effectively, using standard practices, procedures, and tools
- A number of low-risk, fully-functional, off-the-shelf DMS products are available on the market
- The City should consider procuring a DMS in the next budgeting cycle

Project objectives:

- The City should pursue certification in ISO 15489 (“Information and Documentation – Records Management”)
- All property documents are digitized, summarized (with an abstract), and available online
- All users enjoy a “Google-like” experience finding documents on line: click in DMS, enter search words, and receive a prioritized list of (with links to) relevant documents
- Implement a process by which new real estate related documentation is stored and accumulated in a central repository on a continuous basis
- Data and documents are gathered, reviewed, an abstract is written, and the documents are scanned / digitized
- Digitized documents are hosted and indexed in a centralized, digitized, electronic document repository
- Key documents have digital abstracts and key words
- All documents are backed up online and secure
- Build an extensive database in which the information can be sliced and diced by region, property type, renewal date, leased vs. owned, or any other attribute

Key tasks (per ISO 15489)

- Step A: Preliminary investigation
- Step B: Analysis of business activity (note: this probably means “organization activity” in the case of the City)
- Step C: Identification of requirements for records
- Step D: Assessment of existing systems
- Step E: Identification of strategies for satisfying records requirements
- Step F: Design of a records system
- Step G: Implementation of a records system
- Step H: Post-implementation review

A short list is shown below of sample historical and current knowledge artifacts that the City should consider digitizing, attaching metadata (for ease of access), and posting to AMS:

- Property appraisals
- Property financial performance data / scorecards
- Property financial analyses (e.g., discounted cash flow)
- Asset management project plans
- Current property lists (e.g., leased, owned, surplus, etc.)
- Naming conventions / identification protocols for real estate assets
- Current real estate-related policies and procedures
- Projections of future capital needs
- Asset management plans
- Current budget-related documentation

- Real estate market trends
- Economic trends
- Property maintenance Service Level Agreements

Appendix D.4 provides a project profile for “Manage Document Management System (DMS) lifecycle”. See Section 6 of this report for a high-level implementation plan.

4.2.3 Data Management

Project (e) – Operating Statements for Properties

In the private sector, the goal of property owners is typically to maximize economic value; that is, returns on investment are optimized in relation to risk (for example, political, economic, and transaction risks). Business enterprises typically perform accounting and financial planning on a property-by-property basis.

With this in mind, PA recommends that the City consider developing (and posting in DMS) standardized Operating Statements for each Property and for Portfolios of properties. These would enable a more rapid and consistent means to do trend analysis and make informed asset management decisions (e.g., level of justified investment, sell versus lease, etc.)

Strategy:

- The City does not consistently collect financial performance data on a property-by-property basis, nor does the City collect and present property data at the aggregated (portfolio) level
- The purpose of operating statements is to evaluate the financial performance of each property (and portfolio of properties) and to identify poor performers for corrective actions
- The City should create operating statements for all City-owned properties in a consistent format so that the actual results can be 1) compared item-by-item with the budget and the results from previous years and 2) aggregated by types of real estate assets in the portfolio
- With this information, the City is better positioned to make property and portfolio decisions using sound financial judgement based on accurate and complete financial data

Project objectives:

- Develop a consistent and repeatable means to analyze and compare properties for purposes of decision-making (sell, invest, lease, etc.)
- Enable the City to perform trend analysis or make informed asset management decisions (e.g., level of justified investment, etc.)
- Track and manage month-to-month accounting of revenue and expenses at the property level
- Enable the City to spot and correct property-related problems early and effectively

Key tasks:

- Create a prioritized list of City-owned properties for which Operating Statements for Properties will be developed
- Systematically develop and generate standard operating statements for each City-owned and leased property (and include City-owned premises within a property)

- In the operating statements, include all relevant revenues and expenses for each property and, in particular, management costs
- Use an Off-the-shelf Property software (or appropriate module(s) of the AMS) to collect and store operational data and develop the operating statements
- All operating statements should be posted in DMS for easy accessibility

Appendix D.5 provides a profile for “Operating Statements for Properties”. See Section 6 of this report for an implementation plan.

Project (f) – Financial Analysis and Reporting (FAR) for Properties, Portfolios and Projects

Financial analyses of projects, portfolios, and projects should be consistently produced, closely monitored, and tightly controlled, in order to reap operational benefits and avoid financial losses and deterioration of properties. The primary means of achieving desired management objectives is to develop a baseline study, which includes an analysis of expected financial consequences, prior to engaging in any real estate investment or project; and then to measure ongoing performance against the baseline.

Strategy:

- Since the City owns properties which are not needed for its functions, or properties which are partially needed for its functions, it should have the benefit of net income (cash flow) from the properties
- The City should use discounted cash flow to conduct standard financial analyses on data collected periodically
- Properties that are not needed for City functions and do not produce cash flow, should have operating statements that show the details of the “loss” that is incurred or subsidized by the City
- If the City retains such a property, then the property should produce a plan to create a return on investment that is competitive – after considering risk factors – against other types of investments (such as bank deposits, State securities, etc.). The property’s performance should be scrutinized in order to see how the property performance could be improved
- The City should be able to improve property performance by either increasing income or decreasing expense
- If improving the property still does not result in higher returns, then the City should consider selling the property and re-investing the proceeds in another type of investment

Project objectives:

- Train all asset management staff, and perhaps portfolio management staff, at the City to do a standard property financial performance report using discounted cash flow
- Before publishing property-by-property financial data, conduct an analysis of revenue, expenses, and net income (losses) based on aggregated (portfolio-level) data
- Conduct a feasibility study, which includes a projected analysis of expected financial consequences, prior to engaging in any sizable real estate investment or project
- Post all financial analyses and reports in DMS for easy accessibility

Key tasks:

- Create a prioritized list of City-owned properties to undergo FAR
- Create a standard format for financial analyses, including discounted cash flow
- For income generating properties, ensure that operating income, or net cash flow, data is accurate and current
- Set up the financial analysis report so that the actual results can be compared item-by-item with the projected results
- Use ratios to compare financial performance, such as operating expense ratio and net income ratio
- To rectify deficient returns, an asset manager can either increase income or decrease expenses

Appendix D.6 provides a profile for “Financial Analysis and Reporting (FAR) for Properties, Portfolios and Projects”. See Section 6 of this report for an implementation plan.

Project (g) – Asset Management Balanced Scorecard

Implementing an Asset Management Balanced Scorecard provides an effective means of linking the performance of City-owned and leased real estate to the City’s Key Performance Indicators. The Balanced Scorecard is a good means of developing, managing, and interpreting a system of on-going measures which take into account the four key stakeholder perspectives: 1) clients (stakeholders), 2) people (learning and growth), 3) internal business processes (e.g., Asset Management), and 4) financial.

Strategy:

The Balanced Scorecard uses metrics to determine whether there is a need to change the current strategy or to change an existing, documented process. The Balanced Scorecard also uses metrics to focus management’s attention by providing quantitative justification for charting a path forward.

The City should identify a strategy in terms of desired outcomes, and then align performance measures to achieve those objectives. The choice of performance measures should be based on a clear understanding of the desired outcomes that the City wants to achieve with the 2014 Plan. The Balanced Scorecard should be deployed as a new management database that helps executives implement and gain feedback about their strategy.

Project Objectives:

- Promote appropriate behavior or results
- Establish a baseline for showing progress against Guiding Principles and Strategic Goals
- Establish a comprehensive but minimum set of powerful metrics to lend insight into the overall process or strategy (too few metrics may lead to the wrong conclusion, too many may obscure important cause-effect relationships)
- Keep metrics as simple as possible
- Base metrics on factors over which the group being measured has control
- Enable the City to take adaptive action based on performance outcomes

Key Tasks:

- Launch the Balanced Scorecard project

- Create measurement architecture
 - Select the appropriate organizational units to be covered by Balanced Scorecard metrics
 - Define preliminary set of Asset Management metrics
 - Identify linkages Asset Management metrics and organizational metrics
- Define strategic objectives (reference Asset Management Services deliverables)
- Select strategic measures (Key Performance Indicators)
 - Conduct interviews
 - Prepare and verify the preliminary scorecard(s)
 - Conduct workshop to select Key Performance Indicators
- Build implementation Plan
 - Develop Implementation plan
 - Link staff performance to the Balanced Scorecard
 - Conduct workshops and finalize implementation plan
- Implement
 - Conduct quarterly reviews
 - Publish results
 - Take adaptive action

4.2.4 Asset Portfolio Management

Asset Portfolio Management, of properties and projects, is an important part of the 2014 Plan. The City should see the portfolio management process as developing a strategically correct portfolio to support the organization's vision and mission. Portfolio management is more than property or project selection, although this is part of it. It goes beyond simply developing a prioritized list of projects, though this is a part of it. It is definitely more than strategizing and trying to arrive at the best set of projects to meet strategic needs, although strategy and strategic imperatives are certainly key components.

So what is portfolio management? A reasonable definition of portfolio management (in the context of real estate) is as follows:

“A holistic and integrated real property asset management strategy aligning the management and performance of owned or leased property assets over time with the Strategic Plan, and the City's business objectives and service delivery requirements in a sustainable, financially feasible, and cost effective manner.” (Kings County Real Asset Management Plan)

The principal aim of portfolio management is to ensure that: 1) the opportunity cost of financial resources tied up in land and buildings is minimized, 2) the funds expended on the City's real estate portfolio are efficiently and effectively directed to provide the greatest value to the City's strategies and service delivery requirements, and, 3) the highest and best use of the City's properties is achieved. A robust real property portfolio management plan, continuously reviewed, is a tool that can achieve the following objectives:

- Help to prioritize spending decisions
- Ensure property decisions are consistent with service requirements
- Identify opportunities for innovation
- Provide a context for evaluating capital projects
- Provide a basis for developing public-private partnerships

- Identify assets suitable for investment or disposal
- Identify opportunities to increase income generation or reduce expenditures

Another good way to understand the value of portfolio management is to realize the agonies that some organizations endure when they do not exercise proper portfolio management. Table 4-4 below summarizes what happens when organizations lack a portfolio management methodology.

Table 4-4: What Happens without Good Real Estate Portfolio Management?

No Portfolio Management means ...	Immediate Results	End Results
<ul style="list-style-type: none"> • A reluctance to sell unprofitable properties • Many properties languishing on a surplus property list • A lack of prioritization among and loss of tactical focus 	<ul style="list-style-type: none"> • Too many properties to be reviewed and redispensed • People and resources spread thinly • Many properties in queue for review • Poor quality of property disposition 	<ul style="list-style-type: none"> • Lengthy turnaround times • Low service levels • High costs, low revenues • Low productivity • Higher failure rates • Dissatisfied stakeholders
<ul style="list-style-type: none"> • Weak decision points • Poor Hold / Sell / Lease decisions 	<ul style="list-style-type: none"> • Too many mediocre, low-value properties • Many tweaks, modifications, and false starts • Good properties are starved for funds (e.g., for maintenance) 	<ul style="list-style-type: none"> • Fewer profitable, well-maintained properties • Properties are sold very late, and opportunities are missed • Properties are abandoned • Rising City staff frustration
<ul style="list-style-type: none"> • No rigorous selection criteria • Selection based on emotion, politics 	<ul style="list-style-type: none"> • Wrong opportunities are selected • Good opportunities are passed over 	<ul style="list-style-type: none"> • Many failures • Misallocated resources • Frustrated stakeholders
<ul style="list-style-type: none"> • No strategic criteria for project selection 	<ul style="list-style-type: none"> • Property portfolio lacks strategic direction or positioning • Portfolio is not strategically aligned 	<ul style="list-style-type: none"> • Scattergun effort • Portfolio does not support the organization's strategy

Project (h) – Asset Portfolio Optimization

Building upon the results from the interim Property Inventory Database developed in Project (b) and Financial Analysis and Reporting in Project (f), the focus of Project (h) is to develop a strategy for optimizing the real estate portfolio in pursuit of the City's goals and objectives including, but not limited to, providing affordable housing, generating cash flow, leveraging public and private funding sources, and responsible property management.

Strategy:

- Property assets, both leased and owned, are important strategic resources that are expensive to build, maintain, and manage over time. They enable and support a broad range of the City's service delivery functions, with significant associated costs and levels of investment
- In an environment of constrained resources, property investments should be clearly justified and correctly prioritized
- To be most effective, the City needs a Portfolio Management Plan. This Plan must be holistic; that is, taking a life cycle approach considering total investment and property costs for either owned or leased properties to include acquisition, maintenance, operating, and disposal costs

- The Plan must enfranchise all City agencies and departments as a department's surplus property may be utilized effectively by another department
- If improving the property does not result in higher returns, then the City should consider selling the property and re-investing the proceeds in another type of investment

Process objectives:

- The purpose of the portfolio optimization process is to strategically evaluate the City's Asset Management Portfolio starting at the property level, and ultimately extend to the portfolio level, and then to develop an action plan to improve the physical and financial performance of the portfolio
- Portfolio optimization is conducted in two phases. The first phase deals principally with data collection and analysis at the property level (see Project (b) above – "Property Inventory Database (PID) development" and Project (f) above – "Financial Analysis and Reporting"). The focus of the second phase is the analysis of the overall portfolio focusing on strategy and recommendations for further action
- Better portfolio transparency and inter-department coordination within the City
- Better portfolio agility, due to availability of timely and accurate property data
- Comprehensive portfolio coverage
- Consistent metrics tracking
- Cost savings and additional revenues through optimized portfolio management

Key Portfolio Optimization tasks:

- Review the Property Inventory Database (see Project (b)) and property Financial Analysis and Reporting (see Project (f))
- Once property discounted cash flows have been developed, the City should consider portfolios of homogenous properties (for example, separate subsidized and non-subsidized properties) to compare net income. The City should include in the financial analyses ALL relevant revenues and expenses for each portfolio (in particular, include management costs)
- The City should construct a prioritized list, ranking "like" properties from lowest to highest net income. Properties at the top and the bottom of this list should be dispositioned first
- PA recommends the City take steps to maximize efficiencies and revenue at the property and the portfolio level. These include the identification of avenues for increasing revenue and diminishing risk from location, market, and financial perspectives
- Develop a plan for adding and/or optimizing leverage to subpools of assets through strategic planning of debt placement relying on current funding mechanisms as well as potential government and private sources of debt, tax credits, or alternate funding sources
- Develop recommendations and steps for debt restructuring
- Identify inventory ripe for disposition and strategize the exit of these assets (see Project (i))
- Review current cash management and investment programs and recommend cash management and optimization strategies for cash proceeds, cash on hand and intradepartmental loan programs
- Increase staff knowledge of Portfolio Management processes; encourage professional certification from the Project Management Institute (PMI) or equivalent organization

Appendix D.8 provides a profile for “Portfolio Optimization”. See Section 6 of this report for an implementation plan.

Project (i) – Manage Portfolios of Surplus Property

The disposal or surplus phase is initiated when a real estate asset is no longer needed, usually because it is not performing well (for example, has very low or negative net cash flow). When a property has been declared “surplus”, then the City should dispose of its underutilized and non-performing assets in a timely manner, reducing lost opportunity costs and maximizing benefit. The CAO AMSP Unit has prepared a draft framework for disposition of the properties. This framework is currently under consideration by the City Council.

Strategy:

- Develop a managed surplus and disposal strategy, insuring that asset investments are effective and relevant to service requirements and that underutilized or nonperforming assets are disposed of in a manner consistent with code requirements and maximizing benefit to the City
- Annually identify potential assets to be surplus. Potentially surplus assets are defined as: 1) an asset not required for the delivery of services, now or in the long-term; 2) an asset that has become uneconomical to maintain and/or operate; and, 3) an asset no longer suitable for ongoing core service delivery needs
- Annually perform a strategic assessment of potential surplus assets. The assessment will determine: 1) whether there are other departments or agencies who could utilize the asset (a horizontal review); 2) whether there are net disposal benefits to the City either in financial terms or in other terms; 3) whether there are secondary service obligations which may dictate retention of the asset; and, 4) where a disposal of the asset can be carried out without adverse impacts on the physical environment
- Annually identify opportunities for optimizing the return to the City and the community through asset disposals, i.e., affordable housing
- Create, maintain, and annually update an ongoing property surplus and disposal plan, including disposal determinations, major milestones, schedules, and responsibilities, with the plan’s timeframe coincident with the interval of the City budget’s capital improvement plan

Process objectives:

- Develop and implement policy and standard processes for managing surplus properties
- The process determines whether surplus real estate asset investments are effective and relevant to City service requirements
- The process ensures that underutilized or nonperforming assets are disposed of in a manner consistent with code requirements and maximizing benefit to the City
- The process is used to develop strategies to increasing property disposal’s client base
- The City should update and adopt the Non-Profit Lease Subsidy & Real Estate Sale Policy
- Reduced short-term investment – Buildings placed on the surplus watch list will be subject to a reduced level of capital investment for rehabilitation or upgrade
- Better safety and health compliance – Long-term capital investments would be limited to those building components that are a direct threat to health and safety or would result in failure of a building component

- Maintenance of property value – Short-term capital investments would be used to maintain the asset to ensure there is no significant loss of property value

The Surplus Property process involves multiple often complicated steps which include:

- Working with custodial agencies to determine whether or not properties are considered surplus
- Prompting other LA City or governmental agencies to identify other uses for the subject property
- Review surplus properties with City departments to determine viability for affordable housing.
- Marketing surplus properties
- Negotiating purchase and sale agreements
- Drafting legislative packages for property sales
- Facilitating City Attorney, CAO, and GSD review of proposed transactions and legislative packages

The reader should reference Appendix D.9 of this document for a profile of “Manage Surplus Properties”. See Section 6 of this report for an implementation plan.

4.3 Strategic Goals and Objectives

The “Strategic Goals and Objectives” were well-described in Section 3.1 of the “Real Estate Strategic Plan Review” and were also discussed in Section 4.1 of this document. The four primary Guiding Principles are:

- **Support City services**
- **Optimize economic and financial benefits**
- **Be cost-effective**
- **Be environmentally responsible**

Table 4-5 below maps the 2014 Guiding principles to the 2009 Guiding Principles and to previously- and currently-recommended projects which will help the City move forward.

Table 4-5: Progress and Recommendations

2014 Guiding Principles	Guiding Principles in the 2009 Strategic Plan	Progress	2014 Recommendations
<p>Support City Services</p>	<p>Departments should be clustered together by purpose or customer to improve operational effectiveness and service.</p>	<ul style="list-style-type: none"> The City established two clusters at 201 and 221 Figueroa Plaza Funding has been provided for the demolition phase of the Parker Center EIR Project in anticipation of constructing a new building. Final approval of the new building is still pending Council approval 	<ul style="list-style-type: none"> Create more office work spaces, or decrease utilization, to enable relocations The City should pursue ISO 15489 certification in Information and Documentation – Records Management Identify potential staff relocations based on more accurate occupancy data Support GSD with managing relocations and executing staff relocations
	<p>City governing bodies and their support departments should be localized in close proximity to each other in the Civic Center</p>	<ul style="list-style-type: none"> The New Civic Center project is pending approval by Council Leases have been terminated and authorized positions consolidated in City-owned properties 	<ul style="list-style-type: none"> PA has recommended the outsourcing of the GSD’s Leasing Section The City should implement new portfolio management processes and train employees. These will create better asset management portfolio efficiency Encourage staff to pursue PMI certification as “Portfolio Management Professionals” (PfMPSM)
	<p>Office functions should be consolidated in fewer locations, which leads to occupancy cost savings and operational efficiencies</p>	<ul style="list-style-type: none"> PA observed a limited capacity to collect and analyze RE asset cost data PA observed limited availability of high quality, scrubbed real estate asset related data 	<ul style="list-style-type: none"> PA recommends a “Data and document clean up” while populating the Property Inventory Database (PID) PA recommends that an Asset Management System (AMS) be selected, procured, and implemented as soon as possible to track and manage staff relocations
	<p>A comprehensive computer database is essential for the management of real estate assets</p>	<ul style="list-style-type: none"> Resource constraints have reduced the City’s ability to introduce a comprehensive data base AMS procurement will likely be budgeted in 2015 	<ul style="list-style-type: none"> The City should pursue ISO 5500x certification in Asset Management The City should procure and implement a new Asset Management System (AMS) as soon as possible AMS should be made the “system of record” for most real estate asset management work at the City Procure and implement a new Document Management System (DMS) as soon as possible

Table 4-5 is continued on the next page

Table 4-5 (cont'd): Progress and Recommendations

2014 Guiding Principles	Guiding Principles in the 2009 Strategic Plan	Progress	2014 Recommendations
Support City Services (continued)	Professional asset management must support the delivery of municipal services. Decisions must be made in support of human resources, customer satisfaction, and information technology	<ul style="list-style-type: none"> In the current resource-constrained environment, professional asset managers have not yet been hired or trained from within the City ranks PA's organizational recommendations should result in increased efficiencies and responsiveness to asset management requests Asset management information is not readily available to support decision-making 	<ul style="list-style-type: none"> The City should pursue ISO 5500x certification in Asset Management Implement an Asset Management Balanced Scorecard PA recommends the continued, selective use of consultants, as needed Develop PID and procure AMS Thoroughly scrub the data in PID Load scrubbed data from PID into AMS Maintain data integrity in AMS Procure a Document Management System (DMS) Digitally scan and load documents into DMS Maintain data integrity of DMS
Environmentally Responsible	Every City facility should be a "Green Facility". All new buildings must be LEED Silver or higher	<ul style="list-style-type: none"> 23 of 49 large City projects (which were completed between 2002 and 2013) have LEED Silver, Gold, or Platinum rating 	<ul style="list-style-type: none"> PA Consulting recommends that the City continue along this successful path Set energy and water use / cost reduction targets The City should use AMS to track and manage efforts to convert additional City-owned properties to LEED status more efficiently
Optimize Economic and Financial Benefits	Long-term office needs should be satisfied with Long-term solutions.	<ul style="list-style-type: none"> The City has reduced its leased properties and expenditures by 17% and has a plan to reduce them by another 30% through 2022. Plans to transfer staff from leased facilities have been slowed by a lease extension at Figueroa Plaza and by financial pressures affecting plans to build or purchase buildings 	<ul style="list-style-type: none"> PA Consulting recommends the City continue to move forward with department relocations prior to approval for construction of the new building in place of the Parker Center PA Consulting recommends the Department relocations be done, whenever possible, on a "cost neutral basis", meaning the savings from rent no longer paid should cover the cost of the associated relocations within a reasonable time frame
	A balance should be maintained between owned and leased facilities so that the City can benefit as market conditions and space requirements change.	<ul style="list-style-type: none"> There is no provision for regular reviews and updates of the plan to ensure the portfolio balance Nor is there a financial analysis model to identify when lease opportunities are better than owning opportunities 	<ul style="list-style-type: none"> Develop a set of metrics to report on the "balance" between City-owned and leased facilities, and report these metrics in the Balanced Scorecard Develop the analytics to support ongoing "lease vs. own" decisions Track progress in the Asset Management Balanced Scorecard, and publish quarterly

Table 4-5 is continued on the next page

Table 4-5 (cont'd): Progress and Recommendations

2014 Guiding Principles	Guiding Principles in the 2009 Strategic Plan	Progress	Recommendations
<p>Optimize Economic and Financial Benefits (continued)</p>	<p>Short-term office needs should be satisfied via flexible leases</p>	<ul style="list-style-type: none"> The City needs to be better able to identify and project office space needs so it can evaluate when short-term properties will be needed 	<ul style="list-style-type: none"> PA recommends that the Asset Management System (AMS) be procured and implemented as soon as possible so that office space scenarios are developed and modelled with “live” data The outsourced leasing provider develop a schedule of upcoming leases expirations and whether each is recommended for renewal (and why)
	<p>All retail revenue-generating opportunities using public-private partnerships should be maximized</p>	<ul style="list-style-type: none"> Staff reductions have eliminated staff time to manage revenue generating initiatives 	<ul style="list-style-type: none"> EWDD or CAO AMSP should identify public-private sector partnership opportunities related to economic development
<p>Cost Effectiveness</p>	<p>Joint-use facilities (i.e., maintenance yards) are more cost-effective than single purpose facilities</p>	<ul style="list-style-type: none"> The City reviews joint-use properties on a case-by-case basis 	<ul style="list-style-type: none"> This study document will not comment on joint-use facilities
	<p>Facilities that are over 50 years old should be replaced or revitalized</p>	<ul style="list-style-type: none"> The City reviews old (> 50 years old) properties on a case-by-case basis. 	<ul style="list-style-type: none"> PA Consulting recommends a process to support the process of maintaining, renovating, or replacing an older facility
	<p>Surplus property should be disposed of immediately (sell, reuse , or develop)</p>	<ul style="list-style-type: none"> Significant resources have been generated in disposal of surplus properties The “Own a Piece of LA” initiative has led to faster disposition of sliver/remnant undevelopable surplus properties The overall process remains cumbersome Changing Focus on Economic Development changes the determination of Surplus Properties 	<ul style="list-style-type: none"> PA Consulting recommends a process for classifying properties into mandatory, discretionary, or surplus (income generating). Surplus property is defined as not needed for the core/mandatory or discretionary functions, but it serves as a source of revenue for the City. For surplus property, the City should consider: <ul style="list-style-type: none"> Continuing to lease property at its highest and best use, to generate recurrent net revenues Periodically evaluating income-generating performance of surplus properties using investment benchmarks Making selective capital improvements to enhance income production only Selling under-performing properties to generate one-time revenues that can be put to better use Reducing maintenance costs and liability on each surplus property
<p>Non-profits in City facilities must be profitable either through services or rent</p>	<ul style="list-style-type: none"> It is difficult to standardize the value of services Funding to monitor contractual obligations to maintain facilities are not readily available 	<ul style="list-style-type: none"> The City should adopt the proposed Non-Profit Lease Subsidy policy The City should provide the necessary resources to monitor compliance. 	

4.4 Key Performance Indicators

4.4.1 KPIs Related to Cost, Condition and Utilization

The success of the City in implementing the proposed objectives and goals should be measured using Key Performance Indicators (KPIs). A variety of KPIs can be used to measure the performance of a real estate portfolio but PA recommends the City to focus on KPIs related to cost, condition and utilization.

Cost. The City should gather, report, and monitor standard industry indicators, for example, comprehensive cost per square foot for office space. All costs need to be considered, including direct labor and supervision for City services. When considering how much it costs to contract out services, the City should include what it will incur for bidding, auditing, contracting, paying, and overseeing contractors. These calculations should be performed for acquisition, maintenance, and operations

Condition. The danger in efficiency measures is that, unless they are paired with quality measures, cutting resources associated with a property always generates efficiency measure improvements, even though they may have significant negative impacts on the quality of services rendered. Industry standards for office buildings – Class A, B, and C – provide a helpful framework for addressing that quality is maintained in office spaces. Figueroa Plaza is a Class A building, and agreements with the non-City tenant(s) will require that those standards continue to be met. That situation is less true for other City spaces, where reductions in resources spent in buildings show efficiency improvements, while building services and cleanliness suffer. Furthermore, the condition measures must take into account the condition of each facility. Otherwise, the City may generate reports showing reduced costs that actually reflect deferred maintenance – a de-facto loan that will eventually come due with interest and penalties

Utilization. Typical measurements of utilization involve the vacancy rates for City-owned and leased properties. Because the City is expanding its vision of real estate asset management, it will need to consider additional metrics that cover:

- **Public access** – public utilization of services at NCHs and other non-Civic Center properties
- **Economic development** – jobs created, property tax increment, sales tax increment, etc.
- **Revenue generation** – net revenues generated, % of revenue goals achieved, etc.
- **Environmental responsibility** – sustainability metrics such as energy efficiency and associated reduced energy costs (if applicable), square feet of LEED gold standard properties, etc.

4.4.2 KPIs Related to 2014 Guiding Principles

The City should also consider tracking progress of the Asset Management program against the four 2014 Guiding Principles. A sampling of potentially relevant KPIs are shown in Figures 4-4 below:

Table 4-6: Proposed KPIs for 2014 Guiding Principles

2014 Guiding Principles	KPIs
Support City Services	<ul style="list-style-type: none"> • Public satisfaction • Public utilization of NCHs and other non-Civic Center properties • Progress toward City certification in ISO 5500x (Asset Management) • Progress toward City certification in ISO 15489 (Information and Documentation – Records Management) • City staff certification by the Project Management Institute (PMI) as Portfolio Management Professionals (PfMPSM)
Be environmentally responsible	<ul style="list-style-type: none"> • Decrease in energy (power and water) consumption and federal environmental grant awards • Number of City-owned buildings achieving LEED silver, gold or platinum ratings • Energy / water use consumption • Energy / water use cost
Optimize economic and financial benefits	<ul style="list-style-type: none"> • Increase in revenue • Cost reduction • Increased Return on Investment • Job creation in the LA area • Economic Growth in the LA area • Use of public-private partnerships • Property and sales tax increment
Be cost-effective	<ul style="list-style-type: none"> • Properties acquired at the lowest cost possible • Maintenance costs • Amount of deferred maintenance • Utilization of City-owned space

4.4.3 Development of the Asset Management Balanced Scorecard

The Balanced Scorecard is recognized as one of the world's leading management tool for enterprise performance management and strategy deployment. With the current economic challenges, the City should seriously consider designing and implementing a Balanced Scorecard (BSc) that helps rapidly and successfully implement a cost reduction and risk management strategy.

The Balanced Scorecard typically describes 4 perspectives of success: 1) Clients (customers), 2) People (learning and growth), 3) Asset Management (internal business processes), and 4) Financial. These 4 perspectives are represented below in Table 4-5 along with potential Desired Outcomes and Key Performance Indicators (KPIs). These suggested KPIs should be reviewed and verified by the City.

Table 4-7: Suggested Balanced Scorecard “Starter Set” for Asset Management

4 Perspectives of Success	Desired Outcomes (note 1)	Key Performance Indicators (KPIs)
1. Client (stakeholders)	<ul style="list-style-type: none"> • Support City services • Excellent real estate services • Ease of public access to services • Good client relations • Client / customer satisfaction • Expanded policy role 	<ul style="list-style-type: none"> • Client satisfaction with RE services • Tenant satisfaction with property management services • Volumes (e.g., revenues generated via leases of other channels) • Contribution to public policy
2. People (learning and growth)	<ul style="list-style-type: none"> • Productive real estate staff • Increased knowledge and competence • Increased employee confidence and experience • Increased staff competency in key areas – financial analysis, property appraisals, critical thinking, time management, leadership, public speaking, project management, portfolio management, etc. 	<ul style="list-style-type: none"> • Staff satisfaction survey • Number and type of staff certifications (compiled in a staff skills database) • RES Division workforce profile (total population by workforce status) • Training taken • RE-related certifications • HR plan objectives (such as learning investment per employee and number of employees with learning plans in place) • Participation in Employee training programs
3. Internal business processes (e.g., Asset Management)	<ul style="list-style-type: none"> • Be cost-effective • Effective management of Surplus Properties • Highly-valued real estate services • Public-private partnerships in service delivery • Effective technology management • Effective knowledge management 	<ul style="list-style-type: none"> • Increase in value of real property assets • Dollar value of deferred maintenance • Accommodation usage (rentable SF per FTE, cost per rentable SF, and cost per FTE) • Vacancy rate in City-owned office space • Capital reinvestment in City-owned space • Occupancy of surplus properties by non-profit organizations • Progress against sustainable development objectives • Project efficiency (time and budget) • Quality of data integrity • Number of joint ventures with businesses
4. Financial	<ul style="list-style-type: none"> • Optimize economic and financial benefits • Good stewardship of LA City funds • Timely, accurate financial reporting • Be environmentally responsible 	<ul style="list-style-type: none"> • Increased City revenues, decreased costs • Return on investment • Budget management (e.g., % over/under budget) • Accuracy of financial forecasting • Decrease in energy (power and water) consumption • Federal environmental grant awards • Number of City-owned buildings achieving LEED silver, gold, or platinum ratings

Note 1: Words in bold italics indicate 2014 Guiding Principles

Appendix D provides a profile for “Asset Management Balanced Scorecard”. See Section 6 of this report for an implementation plan.

5 CURRENT REAL ESTATE MARKET TRENDS IN THE CITY OF LOS ANGELES

PA gathered market trends from Cushman & Wakefield and REIS for the three property categories which are the most relevant to the City, i.e. office, industrial and retail space. These are discussed in sub-sections 5.1, 5.2, and 5.3. Since Real Estate Market Trends are notoriously difficult to predict, the City would be wise to minimize Market Risk by controlling space utilization. Section 5.4 includes the latest trends in space utilization and outlines novel practices which are currently being implemented elsewhere in the real estate and professional services industries.

The general economic trend in the greater Los Angeles area thus far in 2014 is positive. As of March 2014, Los Angeles County’s employment grew by 87,500 jobs, or 2.1%, since February 2013, with the largest gains in professional and business services. The unemployment rate dropped to 8.7% from 10.1% one year ago. However, the manufacturing, government, and financial sectors continued to shed jobs. ⁽¹⁾

5.1 Office Space Market Trends

The office space market has continued to perform about as expected – see Figure 1 below for year-over-year comparisons (1Q 2014 versus 1Q 2013). The overall office vacancy rate during 1Q 2014 was 18.0 percent, which has remained approximately at the same level for 5 years. This 18 percent figure is still well above the equilibrium vacancy rate of 12 to 14 percent.

Direct Asking Rents have increased modestly by 1.9% from \$2.54 to \$2.59 psf/month. However, Leasing Activity has decreased 16.7%. In summary, it remains a sluggish recovery.

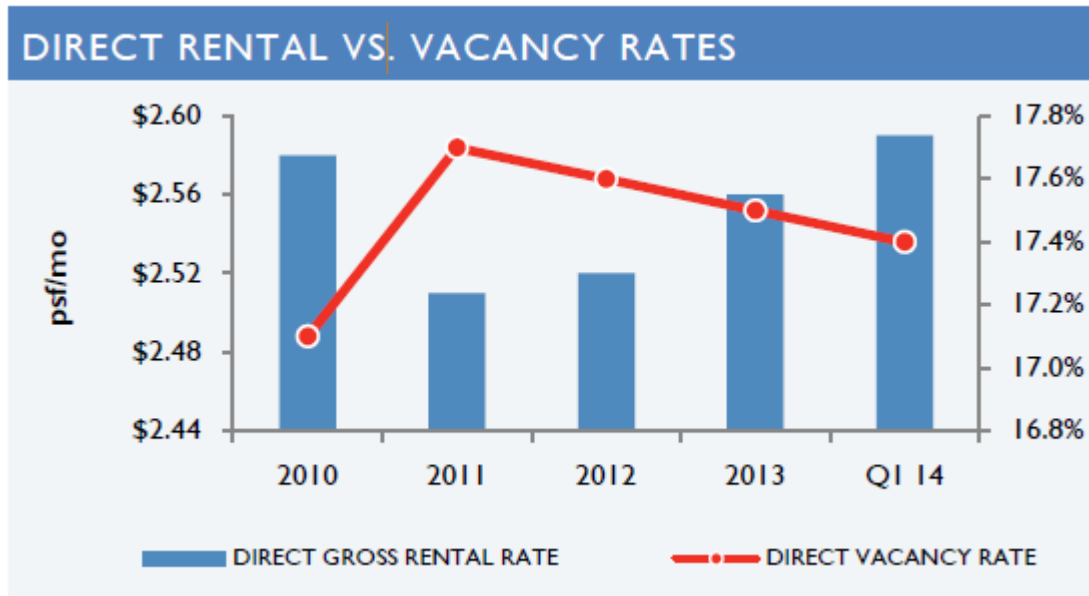
Figure 5-1: Year-over-Year Office Space Statistics on Vacancy, Rents, and Leasing Activity ¹

	Q1 2013	Q1 2014	Y-O-Y CHANGE	12 MONTH FORECAST
Overall Vacancy	18.5%	18.0%	-0.5pp	▼
Direct Asking Rents (psf/mo)	\$2.54	\$2.59	1.9%	↕
YTD Leasing Activity (sf)	3,497,801	2,915,326	-16.7%	▲

¹ Data source: Cushman & Wakefield

During 2010-14, Direct Gross Rental Rates dipped in 2011 but has more than recovered in Q1 2014. Direct Vacancy Rates, which increased by over 0.5% in 2011 to roughly 17.6%, have somewhat recovered during 2011-14, and are now at approximately 17.4%. These represent healthy trends since 2011.

Figure 5-2: Market Trends Data for Office Space Rental and Vacancy Rates ^{2 3 4}



In terms of outlook, Cushman & Wakefield reports the following as of Q1 2014:

“Los Angeles County office market fundamentals improved despite its challenges of lackluster job growth, continued rightsizing, and dampened confidence. Over the next two years, vacancy is forecast to continue its steady decline driven by solid occupancy gains, though this growth is not expected equally in all submarkets. While Westside and Warner Center will lead the growth, San Gabriel Valley and TriCities will exhibit moderate growth, and the CBD and Southbay are expected to continue to struggle.” ^(2, 3, 4)

5.2 Industrial Space Market Trends

While the Los Angeles office space market remains fairly stable, the industrial and retail space markets show encouraging signs of improvement in Q1 2014 (see Figure 5-3 below). Year-over-Year Overall Vacancy has decreased by 0.1% during 2013-14, while Direct Asking Rents has increased from 9.1% from \$0.55 to \$0.60 psf/month. These represent positive trends in 2014. However, YTD Leasing Activity is down by 15.9%, due to a diminished inventory of industrial space on the market.

² Source: Cushman & Wakefield

³ Year 2014 as of Q1 2014

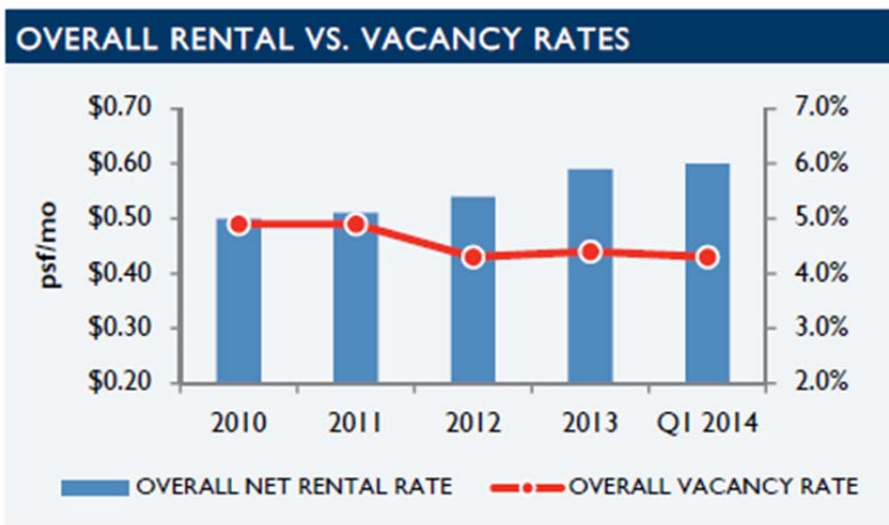
⁴ Data source: Cushman & Wakefield

Figure 5-3: Year-over-Year Industrial Space Statistics on Vacancy, Rents, and Leasing Activity⁵

	Q1 2013	Q1 2014	Y-O-Y CHANGE	12 MONTH FORECAST
Overall Vacancy	4.4%	4.3%	-0.1pp	▼
Direct Asking Rents (psf/mo)	\$0.55	\$0.60	+9.1%	▲
YTD Leasing Activity (sf)	9,102,990	7,659,555	-15.9%	▲

- During the past 4 years, the industrial space market seems to be mostly on the path of the recovery (see Figure 5-4 below):
- During 2010-14, Overall Net Rental Rates have increased slowly and steadily, from approximately \$0.50 in 2010 to roughly \$0.60 in Q1 2014.
- Overall Vacancy Rates have in general decreased during 2010-14, and are now at approximately 4.1%. These represent healthy trends since 2010.

Figure 5-4: Market Trends Data for Industrial Space Rental and Vacancy Rate⁶



In terms of outlook, Cushman & Wakefield reports the following as of Q1 2014:

“The projected increase in the fulfillment operations in the region, combined with increased trade volume at the ports, suggests continued growth in demand for industrial space. The high barriers to

⁵ Data source: Cushman & Wakefield

⁶ Data source: Cushman & Wakefield

entry mean that many companies will have difficulty finding or developing new space. The new wave of development still represents only 0.2% of existing stock and steady demand will keep the market healthy. As the market tightens, lease rates and sale prices will continue their upward trend. Due to its strong ties to the twin ports and lack of land for future development, prospects for industrial investment will remain strong. "^(5, 6)

5.3 Retail Space Market Trends

The Los Angeles basin retail market has improved over the course of the first two quarters of 2014 and is projected to follow that trend in the medium term. Data from Cushman & Wakefield is not yet available as of August 2014.

5.4 Overview of Trends in Space Utilization

The current "trends in space utilization" is an important topic to the City of Los Angeles, representing nearly 3.8 million square feet of space and perhaps billions of dollars of value, even during the lingering recessionary market of 2009. Many real estate asset managers simply assume 200 or 250 square feet per worker, high levels of utilization, and stable employment when space planning. However, high turnover for example can result in excess capacity, lower than expected utilization, higher than targeted space per person, and higher costs. Of course, firms or municipalities that are not growing or are even shrinking in size will also find they are drifting further and further from space per worker targets.

Many corporations, and some municipalities, have lowered their space utilization risk by downsizing their rental footprints, thereby increasing utilization rates while decreasing their general and administrative expense. Firms like Accenture and Price-Waterhouse Coopers, for example, have implemented office "hoteling", meaning that they allow consultants to work from home more frequently and create temporary "hotspots" at the office for temporary use when needed. In theory if a firm utilizes 50% of its space at any one time, and if all spaces are substitutable, and if employment is stable, then they could cut their workspace demand in half. Of course, very rarely are all of these conditions met over any given period of time. For example, a rapid increase in number of staff may cause a "stock out" problem with insufficient space available for use. However, in the case of Accenture they have shifted this overload demand to a variety of short term space providers, such as LiquidSpace.com, Regus, Servcorp, Bizspace, Premier Business Centers, Office Suites Plus, Corporate Office Centers or a variety of similar on demand short term office space providers.

Many other firms, including Procter & Gamble (P&G) have followed the trend of reducing workspace sizes. P&G has increased utilization rates and reduced space demand by standardizing cubicles (utilizing the "office of the future" concept). As a result, nearly everyone in the firm has the same sized workstation, and most workstations are considered interchangeable. P&G also provides huddle rooms for meetings and is now leasing less space than previously required. Whether Municipalities will follow the lead of Accenture and P&G by promoting and supporting (or at least tolerating) larger numbers of remote workers, or using shared flexible standardized office space, remains to be seen. If they do, we will see a shift in the amount of space rented directly by users, a significant increase in the use of temporary office space providers, and more people working at home, libraries, and coffee shops. This will in turn decrease

the total amount of office space per employee as we move to more flexible capacity and higher utilization rates.

- **Recommendation:** The City should consider increasing the capacity of City-owned buildings by implementing “work-outside-the-office” programs, also known as “hoteling”. This option is common in industry as it serves to decrease building utilization while increasing savings. Hoteling can be used effectively in conjunction with other options, such as reducing workspace sizes.

6 IMPLEMENTATION PLAN

This section provides high-level implementation plans for each of the nine (9) projects that, together, will help the City reach its “Future State” goals and achieve its mission for real estate services. Each project should be implemented by an assigned project lead and project team. The content of the major tasks, associated deliverables, and timing should be reviewed and edited by each project team and approved by the sponsor. An initial project plan should be assembled by the project lead and the sponsor before implementation work begins.

6.1 Deployment Management

6.1.1 Deployment Planning and Launch

Table 6-1: High-level Implementation Plan for “Deployment Launch” – project (a)

Deliverables	Major Tasks	Time Frame
<ul style="list-style-type: none"> • Deployment Launch charter and project plan • City approvals of project charter and plan • Project team identified 	<ul style="list-style-type: none"> • Review Integrated Asset Management Report and associated collateral • Recruit team – project manager lead, core team, and sponsor • Recruit executive sponsor for entire “Asset Management program” • Write Deployment Launch charter and project plan • Review / approve project charters and plans by executive sponsor 	<ul style="list-style-type: none"> • 4Q 2014
<ul style="list-style-type: none"> • Classified Property Portfolio 	<ul style="list-style-type: none"> • Review Interim Property Inventory Database (iPID) • Draft classification of properties per the Cushman & Wakefield property classification framework <ul style="list-style-type: none"> – City-Owned Assets - Municipal Use: Mission Critical and Office and Administrative Functions – City-Owned Assets – Municipal Use: Office and Administrative Functions – City-Owned Assets - Non-essential / Excess / Non-Profit or Surplus – City-Owned Assets – Joint Use Redevelopment for Municipal Use and Economic Development – City-Owned Assets – Non-essential / Disposition for Economic Development – City Leased Assets Formulate financial principles & goals for groups of properties Introduce standards for “property consumption” for those entities receiving financial support from the City Approve the classification and financial principles/goals at the City Council level 	<ul style="list-style-type: none"> • 1Q 2015
<ul style="list-style-type: none"> • Preliminary Sourcing for Asset Management System (AMS) 	<ul style="list-style-type: none"> • Review “Selection of the City of LA Asset Management System” • Contact down-selected AMS suppliers to let them know of upcoming RFP • Decide whether to issue an RFP or opt for directed negotiation with a sole-source supplier • Secure budget for procuring AMS (prior to issuing RFP) 	<ul style="list-style-type: none"> • 3Q 2015

6.1.2 Property Inventory Database (PID) Development

Table 6-2: High-level Implementation Plan for “Property Inventory Database (PID) Development” – project (b)

Deliverables	Major Tasks	Time Frame
<ul style="list-style-type: none"> • PID team identified 	<ul style="list-style-type: none"> • Establish the PID team to collect the property inventory data • Establish data owner (or owners) 	<ul style="list-style-type: none"> • 3Q 2014
<ul style="list-style-type: none"> • IT platform for property inventorying 	<ul style="list-style-type: none"> • Select a simple information technology platform (such as Microsoft Excel) to gather and store initial real estate data • Start with the “iPID” (the interim Property Inventory Database), delivered by PA Consulting) MS Excel Workbook • Create prioritized list of properties to investigate in detail (based on the Classified Property Portfolio from Project (a)) • Identify data elements and sources of data • Establish format of inventory collection templates – know that all the data will not be available at once • Develop inventory format in MS Excel (e.g., field names, formats) 	<ul style="list-style-type: none"> • 4Q 2014
<ul style="list-style-type: none"> • Data collection 	<ul style="list-style-type: none"> • Establish procedure for data collection, data updating, and property data review – ensure that data is kept in only one place and is readily accessible • Set a schedule of property data to collect initially; a pilot project is recommended • Establish data collection process based on output of the pilot • Using the PID MS Excel file, start collecting data for the best and worst performing properties and portfolios • Systematically collect data for the entire portfolio of properties and enter into MS Excel • Catalog all RE assets in one system (per F.1 of Asset Management Deck, entitled “Clean-up and re-characterization of real estate data”) • Summarize and document improvement opportunities as data is collected 	<ul style="list-style-type: none"> • 1Q 2015 – 2Q 2015
<ul style="list-style-type: none"> • Data loaded into PID 	<ul style="list-style-type: none"> • Decide whether to buy or develop a computerized database • Develop a PID, or adopt an existing PID • Migrate the data iPID to PID (the “real” database) in an automated manner (avoid manual data entry) • Test to ensure the data migrated properly • Develop a process to maintain the data in PID 	<ul style="list-style-type: none"> • 3Q 2015

6.2 Technology Management

6.2.1 Manage Asset Management (information) System (AMS) Lifecycle

Table 6-3: Implementation Plan for “Manage Asset Management System (AMS) Lifecycle” – project (c)

Deliverables	Major Tasks	Time Frame
<ul style="list-style-type: none"> RFP team identified 	<ul style="list-style-type: none"> Establish the AMS RFP team Establish project owner 	<ul style="list-style-type: none"> 1Q 2015
<ul style="list-style-type: none"> Request for Proposal (RFP) 	<ul style="list-style-type: none"> Prepare RFP paperwork <ul style="list-style-type: none"> Business Requirements Technical Requirements Service levels Schedule Use-cases, if possible Bid sheets Supplier attestation Execute Request for Proposal (RFP) process Select AMS supplier 	<ul style="list-style-type: none"> 2Q 2015
<ul style="list-style-type: none"> Supplier Negotiation 	<ul style="list-style-type: none"> Review proposal Prepare counter-proposal Negotiate legal terms and conditions Negotiate business terms and conditions Enter into agreement / sign contract / inform suppliers that process is done Log savings in financial systems Post RFP documentation in AMS 	<ul style="list-style-type: none"> 3Q 2015
<ul style="list-style-type: none"> Engagement Planning 	<ul style="list-style-type: none"> Assign project team Engage supplier to plan implementation in detail Document the detailed implementation plan Review with the extended project team Finalize plan 	<ul style="list-style-type: none"> 4Q 2015
<ul style="list-style-type: none"> Implementation / Roll-out 	<ul style="list-style-type: none"> Prepare for and conduct database and document collection and clean-up Migrate data and documents to AMS Document Asset Management processes (that AMS is automating) Document user roles and responsibilities Train users Support the roll out of AMS 	<ul style="list-style-type: none"> 1Q 2016
<ul style="list-style-type: none"> Maintenance and Support 	<ul style="list-style-type: none"> Develop and implement maintenance schedule Maintain service levels Track and manage support costs 	<ul style="list-style-type: none"> 2Q 2016

6.2.2 Manage Document Management System (DMS) Lifecycle

Table 6-4: Implementation Plan for Manage Document Management System (DMS) Lifecycle – project (d)

Deliverables	Major Tasks	Time Frame
<ul style="list-style-type: none"> RFP team identified 	<ul style="list-style-type: none"> Establish the DMS RFP team Establish project owner 	<ul style="list-style-type: none"> 1Q – 2Q 2016
<ul style="list-style-type: none"> Real Estate Document Library 	<ul style="list-style-type: none"> Identify documents to be stored electronically in DMS Library Establish real estate document management taxonomy Use this data to create a financial performance baseline Publish the financial performance baseline 	<ul style="list-style-type: none"> 2Q – 3Q 2016
<ul style="list-style-type: none"> Request for Proposal (RFP) 	<ul style="list-style-type: none"> Prepare RFP paperwork <ul style="list-style-type: none"> Business Requirements Technical Requirements Service levels Schedule Use-cases, if possible Bid sheets Supplier attestation Execute Request for Proposal (RFP) process Select DMS supplier 	<ul style="list-style-type: none"> 3Q 2016
<ul style="list-style-type: none"> Supplier Negotiation 	<ul style="list-style-type: none"> Review proposal Prepare counter-proposal Negotiate legal terms and conditions Negotiate business terms and conditions Enter into agreement / sign contract / inform suppliers that process is done Log savings in financial systems Post RFP documentation in DMS 	<ul style="list-style-type: none"> 4Q 2016
<ul style="list-style-type: none"> Engagement Planning 	<ul style="list-style-type: none"> Assign project team Engage supplier to plan implementation in detail Document the detailed implementation plan Review with the extended project team Finalize plan 	<ul style="list-style-type: none"> 1Q 2017
<ul style="list-style-type: none"> Implementation / Roll-out 	<ul style="list-style-type: none"> Prepare for and document collection and clean-up Migrate documents to DMS Document Asset Management processes (that DMS is automating) Document user roles and responsibilities Train users Support the roll out of DMS 	<ul style="list-style-type: none"> 2Q 2017
<ul style="list-style-type: none"> Maintenance and Support 	<ul style="list-style-type: none"> Develop and implement maintenance schedule Maintain service levels Track and manage support costs 	<ul style="list-style-type: none"> 3Q 2017

6.3 Data Management

6.3.1 Operating Statements for Properties

Table 6-5: High-level Implementation Plan for “Operating Statements for Properties” – project (e)

Deliverables	Major Tasks	Time Frame
Operating statements prioritization and planning	<ul style="list-style-type: none"> • Develop an annual budget for each property based on 2011, 2012, and 2013 budgets • Develop a list of prioritized properties for generating operating statements for properties • For the highest prioritized properties, collect and summarize individual property income and expense data on a quarterly basis – work through the property managers • Create a plan to generate standard operating statements systematically for all City-owned and leased properties (and/or City-owned premises within a property) 	<ul style="list-style-type: none"> • 2Q 2015
Physical needs assessments (PNAs) and reserve balances	<ul style="list-style-type: none"> • Develop a list of prioritized properties for PNAs and reserve balance analyses • Perform PNA and reserve balance analysis on the most highly-prioritized properties • Determine the amount of deferred maintenance on each property • Create a plan to conduct PNAs and reserve balance analyses systematically for all City-owned properties (and/or City-owned premises within a property) • Plan and take adaptive action 	<ul style="list-style-type: none"> • 3Q 2015
Simple format and content	<ul style="list-style-type: none"> • Introduce and continuously use a simple format for property operating statements • Introduce and continuously use a simple format for PNAs and reserve balance analyses • Include all relevant revenues and expenses for each property, including management costs • Establish the report so that actual results can be compared line-by-line with the budget and with the results for the previous year 	<ul style="list-style-type: none"> • 3Q 2015
Property management software	<ul style="list-style-type: none"> • Once AMS has been procured, use it as the database for data collection and production of operating statements for properties • Prior to AMS being procured, consider buying inexpensive, off-the-shelf property management software to bridge the time gap. The data set must be able to be migrated to the AMS. • MS Excel is not recommended for producing operating statements for properties 	<ul style="list-style-type: none"> • 4Q 2015
Portfolio-level income statements	<ul style="list-style-type: none"> • For portfolios of similar properties, construct and publish portfolio-level income statements by aggregating individual property income statement • Publish the portfolio-level income statements quarterly 	<ul style="list-style-type: none"> • 1Q 2016
Annual budget or financial plan for each property	<ul style="list-style-type: none"> • Prepare an annual budget or financial plan for each property • Conduct annual comparison and analysis of the actual versus planned performance of the asset • Analyze and report • Post all operating statements for properties and portfolios in AMS for easy access 	<ul style="list-style-type: none"> • 2Q 2016

6.3.2 Financial Analysis and Reporting for Properties, Portfolios, and Projects

Table 6-6: Implementation Plan for Financial Analysis and Reporting for Properties, Portfolios, and Projects – project (f)

Deliverables	Major Tasks	Time Frame
<ul style="list-style-type: none"> • Trained staff on financial analysis 	<ul style="list-style-type: none"> • Train City staff (in Real Estate functions) to perform basic analysis of property financial and discounted cash flow analysis • Develop online training for City staff to access (post in AMS) 	<ul style="list-style-type: none"> • 1Q 2016
<ul style="list-style-type: none"> • Property and portfolio financial baseline 	<ul style="list-style-type: none"> • Before property-by-property financial information becomes available, conduct an historical portfolio financial analysis based on available aggregated data • Use this data to create a financial performance baseline • Publish the financial performance baseline 	<ul style="list-style-type: none"> • 2Q 2016
<ul style="list-style-type: none"> • Monitoring of subsidies obtained by tenants and user of City real estate 	<ul style="list-style-type: none"> • Monitor rental prices in the private sector in order to estimate the indirect rental subsidies obtained by tenants of local government premises • Sort out which properties are associated with various types of City support (such as below-market rent, monetary subsidies to tenants for operating expenses, or direct payment of operating expenses by the City) • Monitor and evaluate the amount of subsidy for each property and each portfolio, beginning with properties occupied by NGOs and regular business rentals 	<ul style="list-style-type: none"> • 3Q 2016
<ul style="list-style-type: none"> • Conduct property-by-property financial analysis 	<ul style="list-style-type: none"> • Perform ongoing portfolio analysis on a quarterly basis; <ul style="list-style-type: none"> – Include all relevant, analysed data (separate management costs, if possible) – Separate subsidized and non-subsidized properties • Take adaptive action based on the financial analyses 	<ul style="list-style-type: none"> • 4Q 2016
<ul style="list-style-type: none"> • Conduct portfolio-by-portfolio financial analysis 	<ul style="list-style-type: none"> • Perform ongoing portfolio analysis on an annual basis; <ul style="list-style-type: none"> – Include all relevant, analysed data (separate management costs, if possible) – Separate subsidized and non-subsidized properties • Take adaptive action based on the financial analyses 	<ul style="list-style-type: none"> • 1Q 2017
<ul style="list-style-type: none"> • Reporting on Property and Portfolios 	<ul style="list-style-type: none"> • Introduce and test a format for an annual report on City property assets as a high priority task • Gradually improve the format and content of the annual report over time • Endeavor to produce quarterly reports 	<ul style="list-style-type: none"> • 2Q 2017

6.3.3 Asset Management Balanced Scorecard

Table 6-7: High-level Implementation Plan for “Asset Management Balanced Scorecard” – project (g)

Deliverables	Major Tasks	Time Frame
Launch the Balanced Scorecard project	<ul style="list-style-type: none"> • Establish the AMS RFP team • Establish project owner 	<ul style="list-style-type: none"> • 2Q 2015
Create measurement architecture	<ul style="list-style-type: none"> • Select the appropriate organizational unit • Identify potential metrics (KPSs – “Key Performance Indicators”) • Identify linkages of AM KPIs to organizational metrics 	<ul style="list-style-type: none"> • 3Q 2015
Select strategic measures (Key Performance Indicators)	<ul style="list-style-type: none"> • Conduct interviews to review potential metrics • Identify sources of metrics • Prepare and verify the scorecard(s) • Conduct execute workshop 	<ul style="list-style-type: none"> • 4Q 2015
Balanced Scorecard Implementation	<ul style="list-style-type: none"> • Develop Implementation plan • Link staff performance to the Balanced Scorecard • Conduct workshops to gather commitments to scorecard metrics • Finalize implementation plan 	<ul style="list-style-type: none"> • 1Q 2016
Balanced Scorecard Maintenance	<ul style="list-style-type: none"> • Conduct quarterly reviews • Publish results • Take adaptive action • Revise Balanced Scorecard as appropriate 	<ul style="list-style-type: none"> • 2Q 2016

6.4 Asset Portfolio Management

6.4.1 Asset Portfolio Optimization

This subsection endeavors to develop recommendations to help improve the physical and financial performance of the City’s Asset Management Portfolio (AM Portfolio). This subsection addresses portfolio oversight, maximization of revenue from operations, and steps to be taken to develop a long-term strategic plan for optimal asset positioning.

Table 6-8: High-level Implementation Plan for Asset Portfolio Optimization – project (h)

Deliverables	Major Tasks	Time Frame
Review of Portfolio physical and financial information	<ul style="list-style-type: none"> • Develop a list of portfolios to be prioritized and optimized • Review status of the most highly-prioritized portfolios <ul style="list-style-type: none"> – Review portfolio physical and financial needs – Review PNAs and reserve balances • Determine whether current reserve balances are sufficient to cover the immediate, short-term and long-term capital requirements as laid out in the Property Needs Assessment (PNA) reports. • Create a plan to review portfolio data systematically for all City-owned and leased properties (and/or City-owned premises within a property) 	<ul style="list-style-type: none"> • 4Q 2016
Property management contract analysis	<ul style="list-style-type: none"> • Conduct legal review of contracts for property management contracts for the highly-prioritized portfolios • Benchmark legal terms and conditions in property management contracts against other representative contracts. • Determine key similarities, points of minor difference, and key areas where the City contracts deviate from the market norms. • Make specific recommendations for revisions to the property management contracts on a going-forward basis 	<ul style="list-style-type: none"> • 1Q 2017
Practices review	<ul style="list-style-type: none"> • Review rental practices and make recommendations to: <ul style="list-style-type: none"> – Improve leasing procedures and contracts – Increase rent collection rates – Reduce operating costs • Recommend steps to maximize efficiencies and revenue at the property and the portfolio level. • Identify avenues for increasing revenue and diminishing risk from the perspectives of location, market and finances. 	<ul style="list-style-type: none"> • 2Q – 3Q 2017
Review of debt structuring	<ul style="list-style-type: none"> • Review reviewed Articles of Incorporation/Bylaws of Ownership Entities as well as financing documentation. • Assess the interest rates, outstanding balances, reserve requirements, ability to transfer assets in/out, defeasance, penalty clauses, etc. • Review Ground Leases for Redevelopment Assets to understand their structure, economics, term, and assignability • Develop a plan for adding and/or optimizing leverage to pools of assets through strategic planning of debt placement relying on current funding mechanisms as well as potential government and private sources of debt, tax credits or alternate funding sources • Develop recommendations and steps for debt restructuring • Identify inventory ripe for disposition and strategizing the exit of these assets 	<ul style="list-style-type: none"> • 3Q – 4Q 2017

6.4.2 Manage Surplus Property

Table 6-9: High-level Implementation Plan to Manage Surplus Property – project (i)

Deliverables	Major Tasks	Time Frame
Annual identification of potential real estate assets to be surplus	<ul style="list-style-type: none"> Determine whether potentially surplus assets are: 1) an asset not required for the delivery of services, now or in the long-term; 2) an asset that has become uneconomical to maintain and/or operate; or, 3) an asset no longer suitable for ongoing core service delivery needs. Create a prioritized list of properties to be surplus. 	<ul style="list-style-type: none"> 4Q 2016
Annual economic assessment of potential surplus properties	<ul style="list-style-type: none"> Determine: <ul style="list-style-type: none"> 1) whether there are other departments or agencies who could utilize the asset; 2) whether there are net disposal benefits to the City either in financial terms or in other terms; 3) whether there are secondary service obligations which may dictate retention of the asset; and, 4) where a disposal of the asset can be carried out without adverse impacts on the physical environment. 	<ul style="list-style-type: none"> 4Q 2016
Annual identification of opportunities for optimizing the return	<ul style="list-style-type: none"> Work with the City and the community to determine whether asset disposals, can be converted to affordable housing. That is, work with the City's Housing and Community Investment department (HCID) and other City entities to determine whether surplus properties are viable for affordable housing. 	<ul style="list-style-type: none"> 1Q 2017
Creation, maintenance, and annual update of an ongoing property surplus and disposal plan	<ul style="list-style-type: none"> Included in the ongoing property surplus and disposal plan: <ul style="list-style-type: none"> Disposal determinations Major milestones Schedules Responsibilities Ensure that the plan's timeframe is coincident with the interval of the City's budget's capital improvement plan. 	<ul style="list-style-type: none"> 2Q – 4Q 2017
Streamlined surplus review process	<ul style="list-style-type: none"> Amend City Code to allow for a provide for a more streamlined review and process related to the development of affordable housing, which will allow for a more responsive disposal of surplus properties 	<ul style="list-style-type: none"> 3Q – 4Q 2017
Reduced process cycle time	<ul style="list-style-type: none"> Rapid proposed surplus property sales package review by City Attorney Office, Executive, and City Council), marketing surplus properties and negotiating purchase and sale agreements) 	<ul style="list-style-type: none"> 3Q – 4Q 2017

7 IMPLEMENTATION TIMEFRAME

7.1 4-year Plan for Deployment Management Projects

Table 7-1 Planned Deliverables for “Deployment Management” Projects during Next 4 Years

Initiative	FY 2014-15	FY 2015-16	FY 2016-17	FY 2017-18
Deployment Launch – project (a)	<ul style="list-style-type: none"> • Deployment Launch charter and project plan • City approvals of project charter and plan • Project team identified • Classified Property Portfolio 	<ul style="list-style-type: none"> • Preliminary Sourcing for AMS 		
Property Inventory Database (PID) Development – project (b)	<ul style="list-style-type: none"> • PID team identified • IT platform for property inventorying • Data collection completed 	<ul style="list-style-type: none"> • Data loaded into PID 		

7.2 4-year Plan for Technology Management Projects

Table 7-2 Planned Deliverables for “Technology Management” Projects during Next 4 Years

Initiative	FY 2014-15	FY 2015-16	FY 2016-17	FY 2017-18
Manage Asset Management System (AMS) Lifecycle – project (c)	<ul style="list-style-type: none"> RFP team identified Request for Proposal (RFP) 	<ul style="list-style-type: none"> Supplier Negotiation Engagement Planning Implementation / Roll-out Maintenance and Support 		
Document Management System (DMS) Lifecycle – project (d)		<ul style="list-style-type: none"> RFP team identified Real Estate Document Library 	<ul style="list-style-type: none"> Request for Proposal (RFP) Supplier negotiation Engagement planning Implementation / Roll-out 	<ul style="list-style-type: none"> Maintenance and Support

7.3 4-year Plan for Data and Document Management Projects

Table 7-3 Planned Deliverables for “Data and Document Management” Projects during Next 4 Years

Initiative	FY 2014-15	FY 2015-16	FY 2016-17	FY 2017-18
Operating Statements for Properties – project (e)	<ul style="list-style-type: none"> Operating statements for all properties 	<ul style="list-style-type: none"> Physical needs assessments (PNAs) and reserve balances Simple format and content Property management software Portfolio-level income statements Annual budget or financial plan for each property 		
Financial Analysis and Reporting for Properties, Portfolios, and Projects – project (f)		<ul style="list-style-type: none"> Trained staff on financial analysis Property and portfolio financial baseline 	<ul style="list-style-type: none"> Monitoring of subsidies obtained by tenants and user of City real estate Conduct property-by-property financial analysis Conduct portfolio-by-portfolio financial analysis Reporting on Property and Portfolios 	
Asset Management Balanced Scorecard – project (g)	<ul style="list-style-type: none"> Launch the Balanced Scorecard project 	<ul style="list-style-type: none"> Create measurement architecture Select strategic measures (Key Performance Indicators) Balanced Scorecard Implementation Balanced Scorecard Maintenance 		

7.4 4-year Plan for Asset Portfolio Management Projects

Table 7-4 Planned Deliverables for “Asset Portfolio Management” Projects during Next 3 Years

Initiative	• 2014-15	• 2015-16	• 2016-17	• 2017-18
Asset Portfolio Optimization – project (h)			<ul style="list-style-type: none"> • Review of Portfolio physical and financial information • Property management contract analysis • Practices review 	<ul style="list-style-type: none"> • Practices review (continued) • Review of debt structuring
Manage Surplus Property – project (i)			<ul style="list-style-type: none"> • Annual identification of potential real estate assets to be surplus. • Annual economic assessment of potential surplus properties • Annual identification of opportunities for optimizing the return • Creation, maintenance, and annual update of an ongoing property surplus and disposal plan 	<ul style="list-style-type: none"> • Creation, maintenance, and annual update of an ongoing property surplus and disposal plan (continued) • Streamlined surplus review process • Reduced process cycle time

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9 GLOSSARY OF TERMS

9.1 Terms related to Assets

9.1.1 (real estate) Asset:

A property, contract, lease, or any other real-estate related entity that has potential or actual value to the City. Value can be tangible or intangible, financial or non-financial, and includes consideration of risks and liabilities. It can be positive or negative at different stages of the asset life. Physical assets usually refer to equipment, inventory and properties owned by the organization. Physical assets are the opposite of intangible assets, which are non-physical assets such as leases, digital assets, use rights, licences, intellectual property rights, reputation or agreements. A grouping of assets is referred to as an asset system and could also be considered as an asset.

9.1.2 Asset lifecycle:

The asset lifecycle covers the period from asset creation or acquisition of an asset to asset end-of-life, including the stages involved in the management of an asset. For real estate, the lifecycle stages might include Strategic Planning, operational assessment and planning, acquisition, operation and maintenance, and disposal. The naming and number of the stages and the activities under each stage usually vary in different industry sectors and should be determined by the organization.

9.1.3 Asset portfolio

Assets that are within the scope of an asset system. An asset portfolio is typically established and assigned for managerial control purposes. Portfolios for physical real estate (properties) might be defined or classified by asset type (e.g., City-owned, Leased, Surplus, etc.) or geographic locations (South Los Angeles, Valley, etc.). An asset system can encompass multiple asset portfolios. Where multiple asset portfolios and asset management systems are employed, asset management activities should be coordinated between the portfolios and systems.

9.1.4 Asset system

A set of assets that interact or are interrelated.

9.1.5 Asset type

A grouping of assets having common characteristics that distinguish those assets as a group or class. Some examples are: physical assets, information assets, intangible assets, critical

assets, enabling assets, information and communications technology (ICT) assets, infrastructure assets, moveable assets.

9.2 Terms related to Asset Management

9.2.1 Asset management

Coordinated activity of an organization to realize value from its assets. Realization of value will normally involve a balancing of costs, risks, opportunities and performance benefits. “Activity” can also refer to the application of the elements of the asset management system (3.4.3).

9.2.2 Asset management process

Asset management is a process involving the balancing of costs, opportunities and risks, against the desired performance of assets, to achieve the organizational objectives. The balancing is considered over different timeframes. Asset management enables an organization to examine the need for, and performance of, assets and asset systems at different levels. Additionally, it enables the application of analytical approaches towards managing an asset over the different stages of its life cycle (which can start with the conception of the need for the asset, through to its disposal, and includes the managing of any potential post disposal liabilities).

9.2.3 Asset management model

An asset management model is a set of interrelated and interacting elements of an organization, whose function is to establish the asset management policy and asset management objectives, and the processes, needed to achieve those objectives. In this context, the elements of the asset management model should be viewed as a set of tools, including policies, plans, business processes and information systems, which are integrated to give assurance that the asset management activities will be delivered

9.2.4 Asset management system (AMS)

An asset management system (AMS) is a computerized system used by to direct, coordinate and control asset management activities. It can provide improved risk control and gives assurance that the asset management objectives will be achieved on a consistent basis.

9.2.5 Strategic asset management plan (SAMP)

Documented information that specifies how organizational strategic objectives are to be converted into asset management objectives, the approach for developing asset management plans, and the role of the asset management system in supporting achievement of the asset management objectives

9.2.6 Asset management plan

Documented information that specifies the activities, resources and timescales required for an individual asset, or a grouping of assets, to achieve the organization's asset management objectives. The grouping of assets may be by asset type, asset class, asset system or asset portfolio.



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