

# RISK REDUCTION IN REAL ESTATE

*2014 DES Training Conference  
& Trade Show*



# AGENDA

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1. Objective: How RES Helps Reduce Risk
2. List of services provided by RES
3. Leasing
4. Design
5. Acquisitions & Disposals
6. Bottom Line



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# *RES' Authorizing Statute*

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RCW 43.82.010:

- “(1)...[the Department] shall purchase, lease, lease purchase, rent, or otherwise acquire all real estate, improved or unimproved, as may be required by elected state officials, institutions, departments, commissions, boards, and other state agencies...”



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# *What we do*

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- Lease space at competitive lease rates.
- Purchase or sell state owned properties.
- Provide comprehensive architectural services that range from design drawings to construction oversight
- Help resolve day-to-day tenant issues.
- Work with agencies, landlords and municipalities to develop parking plans.



# Leasing Section

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- Manages over 1,025 leases and subleases for 156 state agencies, boards, commissions, and community colleges for a total of about 16.1 million square feet.
- Mostly office and warehouse but also uses ranging from a boat ramp, to a parking lot, an airport hangar, a classroom or laboratory.
- Annual base rents total about \$3.2 billion.



# *Leasing Objectives*

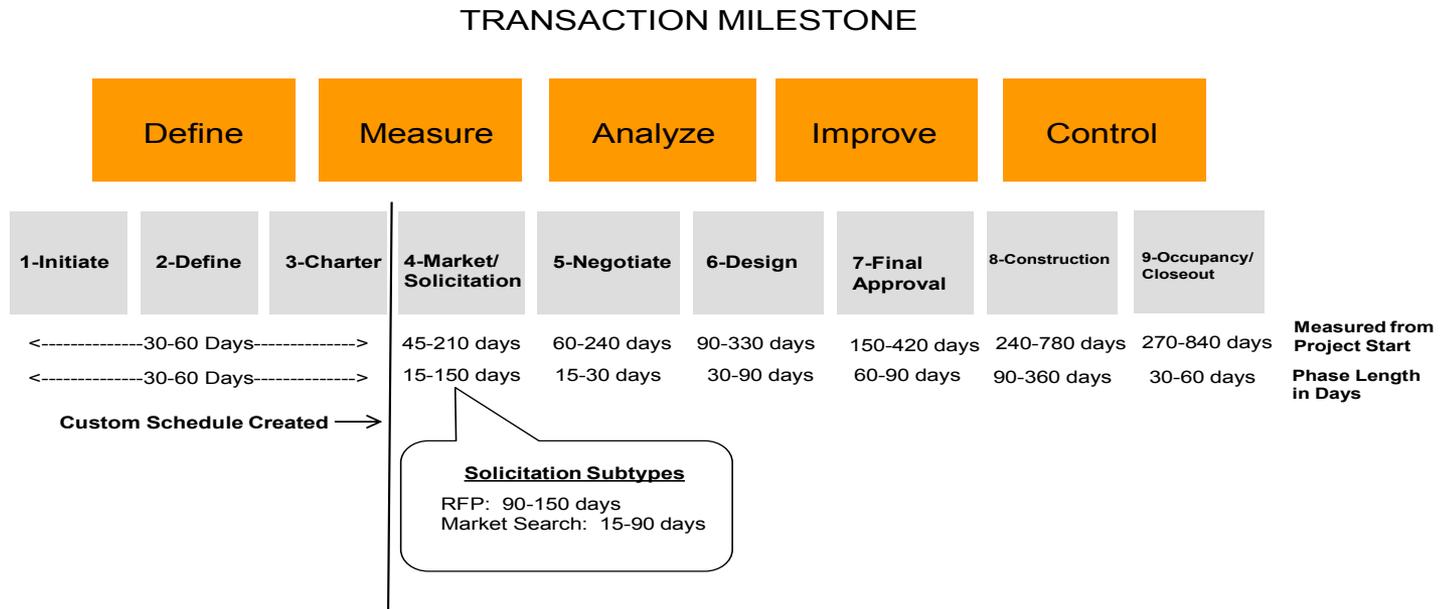
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- Quality, high performance facilities
- Flexible and affordable workspace
- Optimization of owned facilities
- Consolidation/co-location of state facilities
- Competitively priced space that meets client program requirements and employee needs



# Leases for New Space

## Workflow Diagram – Time Intervals for New Leases



J. Nichols – updated 8/21/2014

## RES TRANSACTION FLOWCHART – NEW LEASES



# Renewal of Leases

## Workflow Diagram – Time Intervals for Renewals

TRANSACTION MILESTONE



***Above process schedule measured by “day numbers” assigned and calculated for each Milestone utilizing a 24 month time-line commencing at Initiate and concluding at Closeout !***

RES TRANSACTION FLOWCHART



# *How we help reduce risk*

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## Procurement

- Set realistic expectations with clear scope, schedule and financials
- Assess risk focusing on scope, budget and time
- Use consistent and transparent process and standardized documents

## Transaction

- Knowledgeable in detailed market information and negotiating favorable terms
- “Boilerplate” lease designed to protect agency—and the State
- Internal review via team/peer review and supervisor approval
- Legal review for all transactions



# Design Section

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- Provide architectural and space design services for leased or state-owned facilities, including building design for lease/development projects.
- Define the standards that set the quality for leased space.
- Provide construction project management
- Provide energy and accessibility assessment
- Provide technical assistance and programming assistance.



# *Design Objectives*

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- Life and safety is priority one
- Quality and environmentally sustainable space
- Efficient and effective workplace layout
- Energy efficient space
- Accessible space



# *How we help reduce risk*

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- Review proposals to ensure compliance with program requirements and state specifications
- Review construction costs
- Oversee construction
- Ensure that facility meets all requirements and standards before allowing occupancy—and authorizing payment



# *Acquisitions & Disposals*

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- Knowledgeable in acquiring and disposing of real property
  - ✓ Managing public process in buying and selling properties
  - ✓ Evaluating market conditions and appropriate broker to assist in maximizing transaction.
  - ✓ Negotiating easements
  - ✓ Coordinating due diligence activities
  - ✓ Evaluating conditions of title and property descriptions



# A & D Objectives

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- Negotiate a fair market value purchase or sales price
- Negotiate purchase and sale agreements that reduce the risk to and protect the State



# *How we reduce risk*

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- Maintaining strong relationships with clients
- Effective coordination of diverse stakeholders
- Knowing the market and the procedures
- Conducting due diligence
- Close coordination with AGO and extensive legal review



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# THE BOTTOM LINE



# Bottom Line

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- Reduce the risk to the State
  - ✓ Protect the interests of the client, but first and foremost—the State.
  - ✓ Consistently apply policies and procedures
  - ✓ Use standardized documents to be reviewed as to form by AGO.
  - ✓ Standard documents and consistent processes are more likely to be upheld if challenged
- Ensure that services are customer-oriented
  - ✓ Provide regular updates on project status
  - ✓ Recognize that one size does not fit all



# *Bottom Line (continued)*

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- Ensure compliance with statutory and policy requirements for facilities
- Ensure transparency in processes
- Encourage competition
- Identify opportunities for:
  - ✓ consolidation and co-location
  - ✓ Optimization of existing state-owned space
  - ✓ Creating more efficient space



# *Bottom Line (continued)*

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- Use Performance Measures based on:
  - ✓ Comparison to markets
  - ✓ Timeliness
  - ✓ Customer satisfaction
  - ✓ Accountability



# *Conclusion-RES Value Added*

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- Real estate expertise and market knowledge
- Knowledge of law, policies and procedures
- Processes that emphasize communication and due diligence
- Customer-orientation



*Thank you*

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**Questions?**

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