

UC San Diego

Administrative Space Analysis

Business Affairs

External Relations

Resource Management and Planning



July 2009

Gensler Jones Lang LaSalle

Executive Summary

Study Background:

In spring 2008, UC San Diego's Vice Chancellors of Business Affairs, External Relations, and Resource Management and Planning initiated a long-term planning strategy by issuing a Request for Proposal soliciting expertise in improving organizational workplace effectiveness and reducing administrative space occupancy costs. Gensler, a global design firm, and Jones Lang LaSalle, a global real estate advisory firm, were engaged as a team to analyze the current use of office space, and to develop a best practices approach for how UCSD could more efficiently manage its administrative office space decisions.

In an era when UCSD's enrollment growth is slowing, approaching "steady state," program demand continues to increase, even as State-funded resources diminish. In the context of being expected to do more with less, the three Vice Chancellors' areas face mounting challenges meeting their workforce's space requirements:

- Allocation of office space on an ad hoc basis prevents implementing a long-term workplace strategy that supports business objectives and UCSD's sustainability goals.
- Many departmental areas have had to adapt to second-generation or older space configurations that do not support their operational requirements.
- Functional adjacencies among and across departmental lines are strained as units have had to split up in order to accommodate their staff members.
- As External Relations grew its workforce in response to its development goals, off-campus leased space was required to meet the expanded workspace need.

The recommendations of this report align UCSD's use of its administrative space resources with the best practices employed by both top-performing private sector organizations and peer research and not-for-profit institutions to generate space management solutions that lower occupancy costs. Critical in this time of unprecedented financial crisis, these quantifiable financial benefits become amplified by improved workplace quality of life and enhanced productivity.

Study Process:

Through a process of discovery and analysis, the team explored a variety of scenarios to identify a plan that would maximize the utilization of current and future administrative space within a context of sustainability practices. Options considered ranged from developing a new University-owned consolidated administration facility, to remaining as is in a combination of owned and leased space, to meeting all of the administrative space needs through a reconfiguration of current University-owned space.

A comprehensive series of data-gathering activities led to an understanding of the three areas' culture and operational concerns, across departmental boundaries and vertically through their organizational structures. Current occupancy costs were calculated, and then compared to estimated occupancy costs for two different redevelopment scenarios to determine whether long-term savings could be gained.

While on average, and in comparison to both private industry leaders and peer institutions, UCSD's administrative space utilization is reasonably efficient on a quantitative basis, the leased space at 4570 Executive Drive is inefficient. When combined with the fragmentation of departments, especially those in External Relations, the analysis gravitated toward providing solutions for these two most immediate problems.

It is important to note that financial considerations were constrained to historically verifiable costs and further limited to those directly attributable to real estate expense. Though difficult to quantify, the significant gains in efficiency, productivity, recruitment, and retention that are driven by better workplace design and utilization can increase the overall benefit of adopting a more strategic approach to managing administrative space. These anticipated gains are not included in the cost-benefit analysis.

Study Outcomes:

The fundamental conclusion of the study is that there is no foreseeable need to build or lease any new space for these three administrative areas. Rather, by renovating existing University-owned space and consolidating administrative units, these three areas will not only achieve long-term occupancy cost savings by vacating leased space, but by strengthening functional relationships between units and better aligning workplace design with how work needs to be conducted, will realize increased operational efficiencies.

“Quick wins”

- Long-term occupancy costs can be reduced by eliminating over \$600,000 of annual rent expense for off-campus space at 4570 Executive Drive if University Development and School of Medicine Development relocate to Torrey Pines Center North.
- Office space at 1899 McKee Street can be made available to the Medical Center by relocating Clinical Health Sciences Development to Torrey Pines Center North.

Long-term gains

- With an estimated replacement value of between \$3M and \$4M, office space in the campus core can be made available to Academic Affairs by relocating administrative units currently located in Pepper Canyon Hall to Torrey Pines Center South.
- Renovating the Salk Institute’s vacated leased space in Torrey Pines Center South when the lease expires in 2016 can provide the “swing space” required to consolidate Resource Management and Planning departments, and realign Business Affairs departments.

Additional benefits

- Improved flexibility by adopting a more universal planning approach to the reconfiguration of work space.
- Better support for emerging work processes by providing additional support and resources for improved collaboration.
- A long-term plan for growth by increasing the capacity of the Torrey Pines Centers.
- A smaller carbon footprint by reducing vehicle trips between dispersed departments.
- Increased asset values by focusing capital expenditures at University-owned facilities, Torrey Pines Centers North & South.
- New space standards and design guidelines based upon work activity needs rather than by position and title.
- A prototype approach to adopting new design guidelines by evaluating the results of renovating Torrey Pines Center North, and refining the design guidelines before instituting them in Torrey Pines Center South or other campus locations.
- Identifying an ongoing need for a more flexible and informative methodology for tracking office space allocation and utilization.
- Identifying an ongoing need to establish a centralized market mechanism and effective incentives for encouraging efficiency in the assignment and occupancy of administrative space, as well as a point of authority to manage it.
- Leveraging a strategic approach to managing administrative space for the benefit of other academic areas on campus, including Health Sciences.

Implementation Options:

Maintaining the current state of occupancy for the three administrative areas sets a “status quo” benchmark against which to compare other occupancy strategies. The planning horizon has been set at twenty years, and accrued occupancy costs have been projected over the twenty year duration.

- “Status quo” occupancy costs, including rent, debt service, and operating expenses will accrue to \$117.2M over twenty years
- The projected capacity of the currently occupied facilities is 950 seats, including the Executive Drive leased space.

Option 1: *Strategic* Renovation of Torrey Pines Center North

Focusing renovation efforts at Torrey Pines Center North addresses the two most critical concerns first: eliminating rent expense for 4570 Executive Drive and consolidating External Relations in one location (Alumni Affairs to remain in its new space in the Price Center Expansion). Additional benefits include coordinating capital renewal needs with Tenant Improvements, adding longevity and efficiency to aging building systems, and freeing up space at 1899 McKee Street for Health Sciences’ use.

- Option 1 occupancy costs, including debt service, operating expenses, \$1.2M in capital renewal expenditures, and \$4.5M in tenant improvements accrue to \$103.2M over twenty years, yielding a net savings of \$14M over the “Status quo.”
- The projected payback period for Option 1 is eight years
- The projected capacity resulting from Option 1 is 960 seats

Option 2: *Full* Renovation of Torrey Pines Centers North and South

Fully renovating both Torrey Pines Centers North and South provides the greatest increase in long-term space capacity, and provides organizational improvements to all three administrative areas while still addressing the most acute problems first. In addition to vacating leased space and making 1899 McKee Street available for other uses, space in Pepper Canyon Hall is made available for academic office use.

- Option 2 occupancy costs, including debt service, operating expenses, \$2.1M in capital renewal expenditures, and \$12.3M in tenant improvements accrue to \$112.2M over twenty years, yielding a net savings of \$5M over the “Status quo.”
- The projected payback period for Option 2 is eighteen years
- The projected capacity resulting from Option 2 is 1,120 seats

Recommendation Summary:

Based upon the participatory investigation and foregoing analyses, the Vice Chancellors' Administrative Space Steering Committee, in conjunction with the Gensler – Jones Lang LaSalle team, recommend that UCSD implement the **Strategic Renovation of Torrey Pines Center North**.

By focusing on Torrey Pines Center North first, UCSD will be able to address the two most pressing concerns identified by this study: vacating off-campus leased space and consolidating External Relations' Development areas under one roof with their support staff. With the 4570 Executive Drive lease set to expire in early 2011 there is a sufficient amount of time to work through the logistics of the renovation and relocation project.

By starting the process with Torrey Pines Center North, UCSD can test and evaluate the merits of the new workplace design strategy to adapt for subsequent renovations, at Torrey Pines Center South, or elsewhere on campus.

Addressing the challenges and managing the cultural changes that will accompany implementing the new administrative space standards in the Torrey Pines Center North renovation are vital to the Strategic Renovation project's success. Increasing the population of the building will increase demand for parking. The evolution of work processes will continue to impact space requirements. Increasing the adoption of technology that supports a more nimble and mobile workforce will potentially relieve pressure on physical space requirements.

Because this is a conceptual study intended to outline a long-term strategy, many detailed tasks remain to implement the plan. Two units that currently occupy space in Torrey Pines Center North were not participants in this study: Technology Transfer and Office of Contracts and Grants Administration. These two departments need to be engaged as part of the implementation plan to fully realize its benefits. Finally, detailed programming and design, will lead ultimately to construction, furniture installation, and occupancy of efficient, flexible new workspace.