



DEPARTMENT OF FLEET AND FACILITY MANAGEMENT
CITY OF CHICAGO

April 8, 2014

Joseph M. Ferguson
Inspector General
740 North Sedgwick Street, Suite 200
Chicago, IL 60654

Re: Advisory Concerning the City's Real Property Management

Dear Mr. Ferguson:

I have reviewed the Office of Inspector General's (OIG's) "Advisory Concerning the City's Real Property Management" issued on March 12, 2014 (the "Advisory"). I appreciate the opportunity to formally respond to the Advisory and provide additional information you may find relevant.

Contrary to the Advisory's conclusions, the Department of Fleet and Facility Management (2FM) actively evaluates City operational uses in both its leased and owned facilities to determine if the spaces are being used optimally. These evaluations include 2FM staff and staff from the user departments, as appropriate. The evaluations are also informed by discussions with outside experts, such as Bain Consulting, via the Civic Consulting Alliance.

More specifically, 2FM, under Mayor Emanuel's leadership, has conducted multiple space consolidation projects since 2011 that have resulted in substantial annual savings for the City. The attached table shows the results to date of 2FM's efforts. (See Table A, "2011-2014 City Real Estate Space Operational Efficiency Summary" attached.) Since January 2011, City operational consolidation and relocation projects have resulted in over \$8.2 million in permanent annual savings. The majority of these twenty consolidation and relocation projects included moving City operations from leased space into City-owned space. In a few instances, these projects involved moves to underutilized space covered by long-term leases or to other leased space at a significantly reduced annual cost. The consolidations and relocations shown on the attached table include primarily office space consolidations as well as moves out of leased warehouse/garage space and off of leased vacant land.

In some instances where City operations were consolidated or relocated, the decision not only saved the City rent costs but also generated revenue. For instance, when the City returned the 5th floor of 333 South State Street to DePaul University in 2011, under the terms of the lease agreement the City received \$4.9 million in revenue. Additionally, in 2012, Tribeca Flashpoint Academy approached the City with a proposal to expand their operations into City-leased space on the 2nd floor of 33 North LaSalle Street. At the time, the space was occupied by the City's Law Department, but 2FM was able to relocate this use to underutilized space in a nearby City facility.

The opportunity was a win-win for the City and Flashpoint. Given that the City's lease at 33 North LaSalle Street was set to expire at the end of 2013, relocation of City operations was a forthcoming inevitability. The prompt and efficient 2012 move and relocation of City operations accommodated Flashpoint's urgent need to quickly expand its digital media arts school in the heart of the Loop, and the sublease to Flashpoint generated more than \$660,000 in revenue for the City. Together these actions at 333 South State Street and 33 North LaSalle Street resulted in \$5.6 million in one-time revenue for the City.

Another example of a very successful project is the City's vacation of the entirety of the space leased in 33 North LaSalle Street by the lease termination date of 12/31/13, resulting in a permanent annual savings of \$4.4 million. This project started with an extensive series of moves within City Hall and other City-owned and leased spaces to maximize the amount of vacant, contiguous space available within City Hall. The next step of the project was to improve the vacant spaces followed by relocating the uses in 33 North LaSalle into the improved spaces. The total project cost was less than \$12 million for a payback of less than three years. In addition to the financial savings the City greatly increased the space utilization in City Hall and provided operational efficiencies by co-locating functions that were previously housed in different facilities.

As stated previously, 2FM routinely and actively evaluates departmental space needs and uses and continues to look for opportunities to consolidate City operations to more efficiently utilize City-owned and City-leased space. The second table included with this response shows four planned space consolidation projects in 2014 and 2015 and the projected savings from those moves. (See Table B, "Planned City Real Estate Operational Efficiency Summary" attached.) These four future moves are projected to save the City nearly \$4.0 million in rent annually.

Finally, I note that this response does not include a detailed overview of the numerous consolidation and relocation projects 2FM has facilitated in the last three years of City operations that involve movement from one City-owned space to another. While these projects don't necessarily result in financial savings of note, they do provide extremely important benefits including: maximizing the utilization of City-owned space, increasing operational efficiencies, and vacating underutilized City-owned spaces for redevelopment.

If you have any questions about our past space consolidation and relocation projects, or our projects planned for 2014 and 2015, please feel free to contact me.

Sincerely,



David J. Reynolds

Commissioner

Department of Fleet and Facility Management

Attachment

Table A
2011-14 CITY REAL ESTATE OPERATIONAL EFFICIENCY SUMMARY
 April 2014

COMPLETED SPACE CONSOLIDATION - RELOCATION SAVINGS

Building

Location	Dept.	Effective	Annual Savings	Sq. Ft.	Action
4740 N. Sheridan	DFSS	12/31/2013	\$192,240.00	12,870	Relocated to City-owned 845 W. Wilson
33 N. LaSalle	Multiple	12/31/2013	\$4,415,759.00	124,875	Relocation to City Hall, 333 S. State, 30 N. LaSalle
845 W. 69th	DFSS	8/15/2012	\$74,592.00	4,950	Relocated to City-owned 1140 W. 79th
2735 N. Ashland	DOF	5/2/2012	\$341,400.00	37,400	Relocated to City-owned 940 W. Exchange
180 N. Michigan	IG	3/2/2012	\$172,800.00	9,974	Relocated to County 69 W. Washington (\$622/mo.)
4600 S. Damen	CPL	1/23/2012	\$182,400.00	5,808	Relocated to CPS site at 2111 W. 47th (\$1,350/mo.)
10 W. 35th	IPRA	12/31/2011	\$741,012.00	29,763	Relocated to City-owned 1615 W. Chicago
10 W. 35th	CFD	12/31/2011	\$351,081.72	15,679	Relocated to City-owned 3510 S. Michigan
4740 N. Sheridan	DSS	8/12/2011	\$47,401.80	3,200	Relocated to City-owned 5853 N. Broadway
50 W. Washington	BACP	7/1/2011	\$227,141.00	13,511	Relocated to City Hall
333 S. State	Multiple	1/14/2011	\$464,483.00	47,271	5th Floor Sale to DePaul University
			\$7,210,310.52	305,301	

Warehouse

Location	Dept.	Effective	Annual Savings	Sq. Ft.	Action
4137 N. Rockwell	DSS	6/27/2011	\$78,600.00	7,326	Relocated to City-owned 5333 N. Western
900 E. 103rd	DSS	3/4/2011	\$309,681.00	N/A	Renegotiation for \$1,238,724 in 2011-14 savings
555 W. 14th	CPD	2/28/2011	\$207,767.52	21,756	Relocated to City-owned 1869 W. Pershing
1820 N. Besly	CDPH	1/31/2011	\$129,154.32	21,281	Relocated to City-owned 1869 W. Pershing
			\$725,202.84	50,363	

Vacant Land

Location	Dept.	Effective	Annual Savings	Sq. Ft.	Action
1675 N. Magnolia	DSS	3/31/2013	\$241,947.00	95,832	Relocated to City-owned 1633 W. Medill
4101 S. Cicero	CDOT	12/31/2012	\$22,509.00	168,142	Relocated to City-owned 15th/Ashland
4600 W. 72nd	DSS	6/25/2012	\$58,200.00	103,672	Relocated to CDA-owned 4700 W. 72nd
			\$322,656.00	367,646	

Summary

Building	\$7,210,310.52
Warehouse	\$725,202.84
Vacant Land	\$322,656.00
Savings:	\$8,258,169.36

OTHER PROJECTS

Location	Dept.	Effective	Total Revenue	Sq. Ft.	Action
333 S. State	Multiple	1/14/2011	\$4,900,000.00	47,271	5th Floor Sale to DePaul University
33 N. LaSalle	Law	8/15/2012	\$661,525.17	18,788	Relocation of Law, sublease to Flashpoint/Tribeca
			Revenue: \$5,561,525.17	66,059	

RECAP

Savings	\$8,258,169.36
Revenue	\$5,561,525.17
Total:	\$13,819,694.53

Table B
PLANNED CITY REAL ESTATE OPERATIONAL EFFICIENCY SUMMARY
 April 2014

PLANNED SPACE CONSOLIDATION - RELOCATION SAVINGS

Building

Location	Dept.	Target	Annual Savings	Sq. Ft.	Goal
120 N. Racine	Multiple	4/30/2015	\$955,241.88	73,454	Relocation to City-owned sites
50 W. Washington	CPD/DOIT	12/31/2014	\$1,238,353.00	77,205	Relocation to City-owned sites
900 E. 103rd	DSS	6/30/2015	\$1,353,000.00	225,499	Relocation to City-owned sites
2345 S. Wentworth	CPL	2015 (est.)	\$441,600.00	12,000	PBC construction of new library
			\$3,988,194.88	388,158	