

Executive Summary

Board of Governors Meeting, July 10, 2024

Tampa Office Lease Procurement

Topic

Citizens staff is requesting Board approval to execute a new Tampa area office space lease with Department of Management Services (DMS) approval, procured in accordance with Chapter 255, Florida Statutes, for either a 5-year or 7-year term, with a matching number of renewal years, respectively. The new space is planned to house 65-70 Citizens staff members. This space will also serve as a hub for leadership when traveling on business in the Tampa area.

History

Citizens does not currently occupy office space in the Tampa area. This lease, if approved, will serve to open this location to support staff in the surrounding Tampa area, transitioning to an on-site office environment. In addition to supporting our employees, we look forward to tapping into the insurance industry residing in the Tampa market. In accordance with the statute that created Citizens, s.627.351(6)(f), Florida Statutes, Citizens is required to follow the provisions of Chapter 255, Florida Statutes. The Department of Management Services (DMS) oversees the procurement and approval of all office space leases by Citizens, as set forth in Chapter 255, Florida Statutes, and accompanying rules.

The procurement of this office space is following the DMS approval process. The “Request for Space Need”, in accordance with rule 60H-1.002, F.A.C., requested approval to proceed with a competitive solicitation process for up to 12,500 square feet of office space. This was approved by DMS on March 5, 2024. This approval represents a determination by DMS that the request was “...in compliance with the rule and are in the Best Interests of the State.”

Following approval, the DMS tenant broker CBRE Group, Inc. was engaged to facilitate the competitive procurement of ITN No. 24-0011, published on April 25, 2024. The following six (6) responsive replies were received by the May 15, 2024, deadline:

1. Tower Place, 1511 N. Westshore Drive, Tampa, FL 33607
2. Meridian Three, 4200 W. Cypress Street, Tampa, FL 33607
3. Cypress Center 1, 5404 Cypress Center Drive, Tampa, FL 33609
4. Corporate Oaks III, 5505 W. Cypress Street, Tampa, FL 33607
5. Sunforest II, 5110 Eisenhower Blvd., Tampa, FL 33634
6. Lake Pointe Two, 3111 W. Dr. Martin Luther King Jr. Blvd., Tampa, FL 33607

After an initial evaluation that included a site visit of each location, the tenant-broker, CBRE, began negotiating with multiple properties. Negotiations consist of collaborating with Citizens to create a desired design and layout of space (a.k.a. test fit), which work is still in process. Once the test fit has been internally approved, the bidders will present pricing from their contractors that will be used, in part with other items of consideration, to provide their revised rental rate offer. These necessary renovations will begin following the lease execution and completed before occupancy. The final lease terms will be negotiated by CBRE, in accordance with Chapter 255, Florida Statutes.

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The final lease proposal, negotiated by CBRE, will then be subject to DMS “Prior Approval” in accordance with Rule 60H-1.021, F.A.C. This includes Form 4113 “Certificate of Compliance”, Form 4137A “Quote Synopsis”, Form 4137 “Bid Synopsis”, and a copy of the final lease agreement, and multiple other documents. Prior Approval is only granted “...when the Lease Action...is in the Best Interest of the State.” The approval process is then in accordance with 60H-1.022, F.A.C, and the lease is signed.

Based on similar recent leasing activity for the State of Florida conducted by CBRE’s tenant broker representative, remodeling and construction services have experienced longer than normal delays in the permitting process, which in turn delays construction and occupancy. To avoid delay in occupancy, Citizens is requesting the Board approve this Action Item, before Final Approval by DMS. At the same time, the lease can only be signed once all DMS approvals and processes have been followed. Occupancy is projected to occur in the first quarter of 2025. With this Action Item approval, CBRE and Citizens then will be authorized to enter into a lease agreement at the conclusion of negotiations, and with appropriate DMS final approval, which will likely occur in late July or early August.

The projected spend for this lease will depend on the final negotiated rental rate. Based on the current market rates for a full-service lease the targeted spend is projected at \$3,535,451 for up to a 7-year lease term. The final lease terms will be approved by DMS.

Recommendation

Staff recommends the Board of Governors:

- a) Approve the continuation of negotiations by CBRE to secure the best value office space lease considering price, location, and amenities; and
- b) Authorize staff to take any appropriate or necessary action consistent with this Action Item.
- c) Upon receipt of approval from the Department of Management Services, execute a final lease with the awarded vendor for up to a 7-year term, based on a targeted cost of approximately \$3,535,451, as set forth within the Action Item.

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ACTION ITEM

- New Contract**
- Contract Amendment**
- Other – Existing Contract Additional Spend**

CONSENT ITEM

- Contract Amendment**
- Existing Contract Extension**
- Existing Contract Additional Spend**
- Previous Board Approval**
- Other** _____

Action Items: Items requiring detailed explanation to the Board. When a requested action item is a day-to-day operational item or unanimously passed through committee it may be moved forward to the board on the Consent Index.

- Move forward as Consent:** This Action item is a day-to-day operational item, unanimously passed through committee or qualifies to be moved forward on the Consent Index.

Consent Items: Items not requiring detailed explanation to the Board of Governors. Consent items are contract extensions, amendments or additional spending authorities for items previously approved by the Board.

Purpose/Scope	<p>Purpose: This Action Item seeks Board approval to enter an office space lease in the Tampa area, as outlined within Executive Summary, after completing the statutory required procurement process and receiving approval from the Department of Management Services (DMS). Due to delays in the permitting and construction process for anticipated tenant improvements, Citizens request this authorization, to allow for the execution of the lease following approval from DMS. This will provide a more feasible and desirable occupancy timeline. To await this approval for the September meeting likely would further delay occupancy.</p> <p>Scope: The new lease agreement will be made pursuant to the required competitive solicitation process as outlined in Chapter 255. This lease is to procure office space to house approximately 65-70 staff members providing support to our policyholders.</p> <p>Negotiations are in process and the CBRE lead tenant broker representative will continue to pursue what is in the best interest of Citizens with direction from Citizens sole negotiating representative. Occupancy is projected to occur in the first quarter of 2025. Before execution, the final lease terms are required to be approved by DMS, who will verify the terms are in the best interest of the state.</p>
Contract ID	<p>New Tampa Office Space: Office Space Lease (Lease No. 900:0022)</p>
Budgeted Item	<p><input type="checkbox"/> Yes</p> <p><input checked="" type="checkbox"/> No This expense will be budgeted in the proposed 2025 budget.</p>

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<p>Procurement Method</p>	<p>The statute that created Citizens, s.627.351(6)(f), Florida Statutes, Citizens requires Citizens to follow the provisions of Chapter 255, Florida Statutes. The Department of Management Services (DMS) oversees the procurement and approval of all office space leases by Citizens, as set forth in Chapter 255, Florida Statutes, and accompanying rules.</p> <p>Following this statutory process, the brokerage firm, CBRE, is engaged in the competitive solicitation process and serves as Citizens' primary representative with all prospective vendors for the purpose of finalizing negotiations.</p> <p>ITN No. 24-0011 was issued on April 25, 2024, for the procurement of office space in Tampa, FL. The process has, and will continue to follow, all approvals required by DMS.</p>
<p>Contract Amount</p>	<p>Based on market rates the targeted cost projection is approximately \$3,535,451 for up to a 7-year initial lease term.</p>
<p>Contract Terms</p>	<p>The projected contract terms will result in either a 5-year or 7-year initial term with the same number of renewal year options, respectively. The terms will be representative of what is in the best interest of Citizens both fiscally and operationally.</p>
<p>Board Recommendation from Committee</p>	<p>Staff recommends the Board of Governors:</p> <ul style="list-style-type: none"> a) Approve the continuation of negotiations by CBRE to secure the best value office space lease considering price, location, and amenities; and b) Authorize staff to take any appropriate or necessary action consistent with this Action Item. c) Upon receipt of approval from the Department of Management Services, execute a final lease with the awarded vendor for up to a 7-year term, based on a targeted cost of approximately \$3,535,451, as set forth within the Action Item.
<p>Contacts</p>	<p>Jeremy Pope, Chief Administrative Officer, Administrative Services Division</p> <p>Cherri Linn, Director of Facilities Management and Real Estate</p>