

Process Description:

Problem-Solving Template

Owner:	Date:
Manager Approval:	Approval Date:

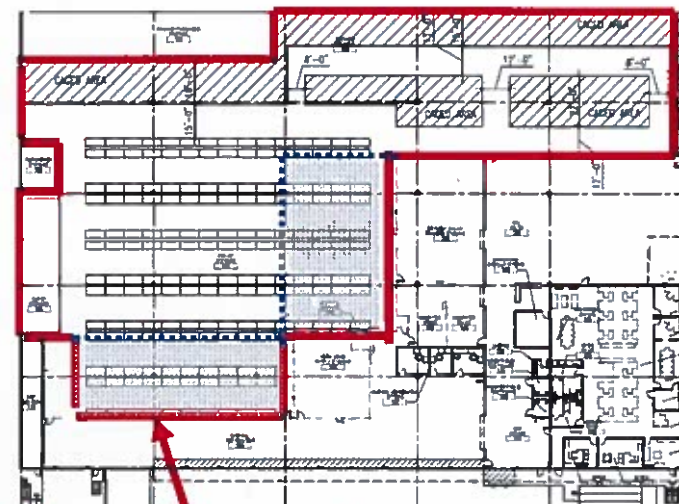
Plan	<p><u>Step 1: Background</u></p> <ul style="list-style-type: none"> • What are we trying to do with this process? • Give some background information about the problem. • Give an explanation to better understand the problem. • State the importance of the problem. 	Do						
	<p><u>Step 2: Current Conditions</u></p> <ul style="list-style-type: none"> • Draw a diagram of the current condition. • Highlight the problem(s). • Use data to explain the extent of the problem(s). 							
	<p><u>Step 3: Root-Cause Analysis</u></p> <ul style="list-style-type: none"> • Collect and analyze data to identify the root cause(s). • Consider what techniques are most useful for explaining root-cause insight: Use the 5 Why's? • Summarize the main findings of the root-cause analysis, visually, if possible. 							
	<p><u>Step 4: Target Condition</u></p> <ul style="list-style-type: none"> • Draw a diagram of target/improved process. • Identify where the root causes/waste is being eliminated. • Define any measurable targets to support proposed improvement. 							
	<p><u>Step 5: Countermeasures</u></p> <ul style="list-style-type: none"> • What specific actions are required to eliminate the problem(s)? 	Act						
	<p><u>Step 6: Implement</u></p> <table border="1"> <thead> <tr> <th>When?</th> <th>Who?</th> <th>What?</th> </tr> </thead> <tbody> <tr> <td>Date/Time</td> <td>Person responsible for action items?</td> <td>Action Items to be completed?</td> </tr> </tbody> </table>		When?	Who?	What?	Date/Time	Person responsible for action items?	Action Items to be completed?
When?	Who?		What?					
Date/Time	Person responsible for action items?	Action Items to be completed?						
	<p><u>Step 7: Evaluate</u></p> <ul style="list-style-type: none"> • Check the results. Did the improvement(s) work? • Collect data and compare “before” and “after” results. 							
	<p><u>Step 8: Follow-Up (Actions)</u></p> <ul style="list-style-type: none"> • What follow up activities must occur to sustain the results? • Schedule follow up meetings at 30/60/90 days after implementation • Did you complete all action items by the 30 day milestone? • Did you complete all action items by the 60 day milestone? • Did you complete all action items by the 90 day milestone? • Has the problem been eliminated and the process showing measurable improvements? • Can you close this Problem Solving process and archive it as “Completed and Closed”? 	Act						

Goal: Develop a Sustainable Space Rent Model for: Fee-Based Storage Program

Background

- Departments must cease using approximately 125,000sf of storage space (107,000sf of free storage space and 18,000sf of fee-based storage space) in the Marchant building effective 3/31/2010 (building has been sold and lease expiring on 4/20/2010).
- Fee based storage program planned at Regatta building under Property Management administration to replace lost Marchant space and accommodate other campus storage needs.
- Initially planned space for storage program at Regatta reduced because of fire code (available height reduced from 18' to 10') and to make portal for external tenant.
- Campus Real Estate Office proposes to charge Property Management \$0.53/sf for space set aside for fee-based storage at Regatta.
- Other Property Management operations have had portions of their space in Regatta converted to storage space to make up for lost storage space height due to fire code constraints. Those operations cannot effectively serve the campus with their proposed reduced footprint.
- Property Management does not currently pay for allocated space set aside for fee based storage and rates developed to offset all other operational costs (\$0.37sf/mo).
- Adding a space rent based upon total space occupancy and sufficient to cover expenses inclusive of operational expense will result in a rate far exceeding the current commercial mid-point market rates for any occupancy under 100% and likely lead to reduced demand for space, further reducing the ability to meet the rent.
- Property Management cannot absorb any of the space rent costs, including for space unoccupied.

Current Condition



29,585sf proposed: \$16,952/mo (space rent) = \$203,424/yr
 (Need to reduce to 22,926sf actual = \$145,809/yr)
 Shaded areas returned to Property Management operations

(w/ Reduced Space)
Annual Expenses

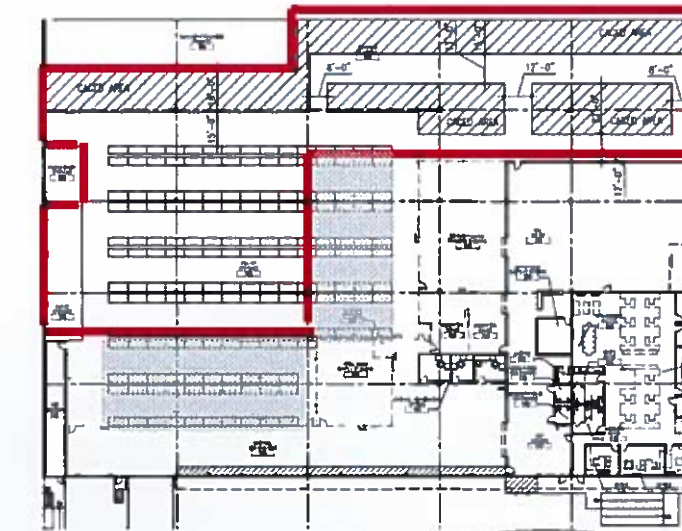
Operational Costs	\$136,977
Proposed Rent	\$203,424
Total Expense	\$340,401

Available Space (cf)	95,826
at 50% occupancy	47,913
Annual Rate/cf	\$7.10
Monthly Rate	\$0.59
SF Equivalent per month	\$4.74
Mid Market Rate	\$2.09
Percent of Mid-Market	227%

Cause Analysis

- Project program's inability to sustain rent payment
- Why? Not enough revenue
 - Why? Insufficient demand for space
 - Why? Space rate too high (cheaper for customers to pay market rates)
 - Why? Limited space to rent but high rent costs – unable to reduce cost by deferring over more space
 - Why? Building constraints and fire code regulations
 - Why? Need to cover/offset building expenses

Target Condition



22,926sf (revised) = \$12,151/mo = \$145,809/yr

Annual Expenses

Operational Costs	\$136,977
Proposed Rent	\$145,809
Total Expense	\$282,786

Available Space (cf)	95,826
at 50% occupancy	47,913
Annual Rate/cf	\$5.90
Monthly Rate	\$0.49
SF Equivalent per month	\$3.93
Mid Market Rate	\$2.09
Percent of Mid-Market	188%

Proposal

- Charge fee-based storage customers \$1.60/sf/mo (0.20cf/mo) = 77% of Mid-Market Rates (\$2.09/sf/mo)
- Pay rent based upon space utilization (occupancy rate).

Current fee-based storage space reservations = **69%** of the space = **\$21,711** available annually for rent.

- Maximize space by renting in cubic foot (cf) increments.
- Charge below mid-market rate for a full-service operation – \$1.60/sf/mo (0.20/cf per month) for first three years regardless of occupancy level with all net revenue being applied to building expenses.
- Do not assess any deficit space revenue against Property Management, Business Services, BAS or Administration.
- Purchase storage shelving only as needed to mitigate expense, but setting aside revenue to pay for according to the 5 year depreciation schedule of \$25,000 per year.
- Convert Central Distribution and/or Moving Services' processing space (shaded area above) to fee-based storage space as we may be able resulting from LEAN initiatives reducing their current space needs.

Occupancy Rate	Revenue	Available for Rent
50%	\$114,991	\$0
75%	\$172,487	\$35,510
80%	\$183,986	\$47,009
90%	\$206,984	\$70,007
100%	\$229,982	\$93,005

Implementation Plan

- December 14-17, 2009: Fee Based Storage Program relocates operation to 3200-E Regatta
- December 14-17, 2009: Existing caging and shelving installed at 3200-E Regatta
- January 7, 2010: Begin charging storage rent to storage customers
- June 30, 2010: Report operational net revenue to Real Estate Services Office (RESO)
- June 30, 2010: Journal operational net revenue to RESO for building expenses

Follow-Up

Annually review operation with Business Services' and Administration as part of the Budget Process.