**Office of the City Auditor
Kansas City, Missouri**

Highlights

Why We Did This Audit

The City Council passed Resolution 200679 on August 20, 2020, directing the city auditor to conduct an audit of the city's management of city real estate related to the use of facilities by city departments and staff and issue a report by December 2, 2020.

Objective

The City Council wanted an audit to evaluate whether the city could achieve long-term savings by consolidating departments from leased office space into vacant floors in City Hall and leasing or selling unnecessary city-owned properties.

As directed by the Resolution, this audit focuses on:

- Identifying the occupancy, space utilization, and vacancies of all city buildings and City Hall.
- Identifying the occupancy of all city leased space including the term of the lease, yearly cost of the lease, and termination costs.
- Evaluating the impact and cost of combining the occupants of the city leased buildings into the vacant floors of city hall.
- Evaluating space needs if the city permanently adopts a telecommuting policy.
- Evaluating whether city-owned buildings could be leased or sold.

Background

Including City Hall, Kansas City government owns about 670 buildings and facilities and nearly 1,900 parcels throughout Kansas City. City buildings and facilities are used as office and meeting spaces, storage for city equipment and materials, and locations to provide services to the public. Some city property is leased to other entities, while some property may be vacant. The city also leases some property from other entities for city use.

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PERFORMANCE AUDIT

City Hall Office Space Under Used, Significant Costs to Consolidate Office Space

What We Found

Space in City Hall is not used efficiently. Departments occupy approximately 250,500 useable square feet in City Hall and based on U.S. General Services Administration (GSA) standards about 135,600 of those useable square feet are under used. Additionally, about 32% of the workstations in City Hall are unused. The underused space and unused workstations are distributed throughout City Hall. Use of office space in other city buildings is more efficient than City Hall and closer to the GSA standard.

Useable Square Feet per Employee

City Hall	GSA Standard
430	200

The city leases two office buildings for use by city departments. The costs to terminate these leases and move 225 city employees and 119 city vehicles to City Hall are significant. Lease termination costs represent the majority of these cost estimates and negate most if not all potential rent savings from terminating a lease early or not renewing a lease option. Without rent savings, the city does not begin to recoup relocating and remodeling costs until after the end of the lease terms in 2033 and 2039.

4400 Blue Parkway
Relocation Costs
$12.1 million to $20.9 million

Century Towers
Relocation Costs
$24.7 million to $34.8 million

Telecommuting could reduce the amount of city office workspace needed citywide for employees by about 20,500 useable square feet and/or decrease the number of workstations needed. These reductions in office workspace and workstations would likely vary depending on operational needs of city departments.

We developed an initial list of over 350 potential surplus city-owned properties with an estimated market value of $19.1 million. The city has established procedures for the sale of surplus property and more work is needed finalize a list of surplus properties and dispose of surplus property in accordance with city policy. Selling surplus property will depend on the market and can take a long time.

What We Recommend (full list on back)

We made recommendations to develop information needed to assess future space use and needs, collect data on city-owned parcel use and responsible department, continue the process to identify and dispose of surplus city-owned properties in accordance with city policy, and address telecommuting issues and policy considerations when developing the city's telecommuting program.

Management agreed with all of the recommendations.

Recommendations

1. The director of general services should develop space use guidance or standards for new or remodeled city office buildings.

2. The director of general services should obtain floor plans and total useable square feet (USF) for city buildings for which this information was not available.

3. The director of general services should update building floor plans and useable square feet as floor configuration and use of space changes.

4. The director of general services should maintain ongoing space utilization data on city-owned buildings.

5. The city manager should direct the work group developing the city's telecommuting program to address telecommuting issues and policy considerations including:
   - a general telecommuting policy outlining criteria and expectations;
   - disability-related accommodations;
   - wage implications;
   - safeguards for city property;
   - safe work environment; and
   - cybersecurity

6. The director of general services should confirm and track why the city owns each parcel of property and the department that is responsible for the property.

7. The director of general services should follow the steps outlined in Administrative Regulation 3-07 for the disposition of properties identified as possible surplus.