UIC Space Economy Users Guide
April 27, 2011
Background and Statement of Purpose

Historically, the Office of the Provost has assigned space on the UIC campus to colleges and vice chancellor level units. The colleges and administrative divisions, in turn, have been responsible for managing the internal allocation of their assigned space to their own departments, centers, and programs. When space is required to support new needs such as program expansion or faculty recruitment, the campus has assumed the responsibility of identifying suitable space and negotiating terms for the transfer of space assignments. In addition, units have traditionally not been responsible for the cost of operating and maintaining their assigned space although they have had the option of paying for higher levels of service than typically provided "free of charge" by Facilities Management. [1]

This centralized control of the space assignment and cost assumption methodology could be seen as a form of benign paternalism, but unfortunately it has resulted in certain unproductive gaming practices such as space hoarding, incorrect reporting of space usage, and the underutilization of assigned space. A more efficient utilization of space can lead to a reduction in the deferred maintenance backlog, broader awareness of opportunities to address unmet space needs, increased potential for space sharing and cross-college programming, greater energy efficiency, and improved targeting of facility maintenance resources.

With the campus acting as the buffer between assigned space and its associated costs, there have been insufficient incentives in place for colleges and units to optimize space utilization (including returning underutilized space to the campus inventory for use by others), invest in energy saving projects, and undertake other initiatives aimed at the efficient and effective management of the extremely valuable resource of space on the UIC campus.

In an era of diminished funding and in line with principle of aligning costs with usage, the current approach to space resource management must be overhauled. Beginning in FY 2013, a fundamentally different and more market-driven mechanism will be used to manage the allocation of campus space and new measures will be introduced to more closely associate utility and operations and maintenance costs with space assignments.

The new space allocation mechanism that will be introduced has been under discussion for several years and has been termed the "space economy." In the space economy, space will be recognized as a resource which is available for sale and purchase, based on ability and willingness to enter into mutually agreeable purchase transactions, and it will carry operational costs.

The Provost's Office in conjunction with the Offices of Facility Information Management and Facility and Space Planning will monitor space transactions and maintain the campus space assignment inventory, but it will phase out its central role in negotiations regarding space. The campus will no longer act as a broker attempting, very often futilely, to find and obtain space needed by one unit and underutilized by another. Historically, the ownership of space has officially remained with the campus.

[1] Of course, there are costs associated with all provision of services; the cost of basic services has been, in fact, covered by the allocation of operating budget revenues which were "taken off the top" of annual state budget allocations.

However, the assignment of space has, for all intents and purposes, meant “functional ownership” of said space, except, of course, in regards to any direct financial responsibility for the costs associated with said space.

The objectives of the new space allocation mechanism are as follows:

- create incentives for the efficient utilization of space.
- assign responsibility for the cost of space utilization to the occupying unit.
- empower individual units to negotiate with one another regarding the redistribution of space.
- minimize the need for campus administrative time and cost associated with orchestrating multi-lateral exchanges of space (in economist terms, "minimize its transaction costs").

In sum, we intend to stop living in a barter economy and create a more dynamic and responsive allocation of space.

During FY 2012, the space economy will be revenue neutral to the colleges and vice chancellor units. This fiscal year will be considered “Year Zero” of the new Space Economy. Each college and vice chancellor unit will receive an allocation for the annual occupancy, O&M, and utilities costs based on its total assigned square footage. Starting in FY 2013, any space cost increases will be passed onto the college/vice chancellor unit based on its assigned square footage. This approach does not change the historical practice of units paying for space cost increases incurred by the campus. Rather, it allocates those costs based on assigned square footage rather than the relative size of the unit’s State budget.

The objectives of the new occupancy, utility, and operations and maintenance cost allocation measures are as follows:

- create an occupancy assessment that includes, but is not limited to, costs incurred by the campus for expenses such as R&R, deferred maintenance, and classroom improvements to clearly display these space-related costs and the reality of limited future investments by the State in buildings on the UIC campus.
- create incentives to minimize energy consumption and operations and maintenance costs by relating such expenses to the amount of assigned space.
- create incentives to use space more efficiently by moving from the distribution of incremental utility and O&M costs based on units’ share of the State budget, to allocating these incremental costs based on the amount of space assigned to individual units.

Frequently Asked Questions

Q1: Why are new approaches to space and cost allocation necessary?
A1: Space has value and it costs real dollars to create, heat, maintain and preserve this space. With notable exceptions, these costs have not been allocated or charged to campus units, but have historically been centrally budgeted. As a result, the financial impacts of space allocations have not been obvious and the usage of space has, therefore, been suboptimal. Units have not been incentivized to use space efficiently, nor have they been incentivized to be concerned about the consumption of energy.

Q2: How will the Space Economy work?
A2: The Space Economy initiative will attribute a share of both space costs and the central budgets for those costs to each campus unit. This process is meant to more clearly link the allocation of space to the responsibility for covering its associated costs.

Q3: What costs will be associated with space?
A3: The cost of space will have three separate types of charges, each being based on rates that will be multiplied by a campus unit's "net assignable square feet" or NASF:

- An Occupancy Charge reflecting space-related costs such as R&R, deferred maintenance, and classroom improvements among others.
- A Utility Charge reflecting the costs of providing heating, cooling, water, sewer, and electricity.
- An Operations and Maintenance (O&M) Charge reflecting the cost of janitorial service, waste disposal, routine maintenance, preventive maintenance, grounds maintenance, etc.

Q4: How will the Occupancy Charge be calculated and paid?
A4: Occupancy charges will be established annually by dividing specific space-related costs by the total NASF of the campus. These costs will include the current budgets for facility renewal and replacement, deferred maintenance, and classroom remodeling.

Q5: How will Utility Charges be determined?
A5: Until the time that utility metering data is more generally available and can be utilized with greater confidence, utility charges will be assessed at an annual rate multiplied by the NASF. In total, these charges will approximate the budgeted costs of utilities for the campus. After metering data becomes available, we will refine this methodology to increase the precision of consumption estimates by building, rather than averaging them campus-wide.

Q6: How will O&M Charges be determined?
A6: The overall rate will be based on total state-supported campus O&M costs and assigned square footage. The assumption will be that the more NASF a unit has, the greater the costs incurred to keep them operational. It will also be assumed that FM provides a baseline level of service for all units. Over time, there may be modifications to this approach involving definition of standard and premium levels of service, which will be priced differentially to reflect actual costs. As with the utilities charges, the totality of these charges will approximate the budgeted costs of O&M for the campus. Of course, units will be able to continue to purchase higher levels of service from Facilities Management and (only Facilities Management) using real money of their own.

Q7: Will units be expected to actually pay the charges associated with the space that they occupy?
A7: For FY 2012, the Space Economy Initiative will have a budget neutral impact on campus units because budget allocations will be made to colleges and administrative units to offset space costs. It will essentially be a paper exercise to begin the transition. However, in subsequent fiscal years, incremental space costs will be distributed to each chargeable unit, and these units will cover these cost increments.

Q8: Will these "budget allocations" remain with a unit if it sells some space to another unit?
A8: No. The budget allocations are permanently attached to the space, not to the unit which happens to be assigned the space when the Space Economy began. When a space moves to another unit, its budget allocation will move along with it. However, if the space is leased for a finite period of time, the leasing unit retains the budget allocation because it still has "title" to the space as shown in the FIM database.

We do expect that money will probably change hands for every purchase or lease transaction. Only if a unit sheds space to avoid incremental costs in the future, or trades space of equivalent value, would there be no exchange price for one unit "buying" space from another.

Q9: How will units generate the funds necessary to cover incremental occupancy, utility and O&M costs?
A9: By internal reallocation as they have done in the past. Units have historically been assessed these costs through campus-wide reallocation, but based on their share of total State budgets rather than their share of assignable space as will now be the case.

Q10: How can units minimize their exposure to future charges?
A10: To incentivize the freeing up of underutilized space for other purposes, there will be a "divestiture opportunity" through FY 2012. This will allow any campus unit to offer any of its assigned space to the campus to avoid potential rate increases in future years. The campus will have the option of accepting or not accepting such offers. If the offer is accepted, the budget allocations for occupancy, utility, and O&M charges for these returned spaces will also be returned to the campus.

Q11: How will this system replace the current space allocation process?
A11: Units will be free to negotiate with other campus units to trade, lease, or sell space at individually negotiated prices at any time. They will approach the other units directly instead of asking the campus to find additional space for them as is most often the case currently. When the negotiations result in the transfer of space, the receiving unit will assume responsibility for the associated charges.

Q12: Will the terms and conditions of transactions be made public?
A12: Yes, all transfers of space will be recorded by the Office for Facility Information Management and made available on the Office of Facility and Space Planning website.

Q13: What incentives will the space economy provide for units to improve the space that they occupy?
A13: If the improvements reduce utility or O&M costs, the occupying unit will enjoy real cost savings, especially in the future when metering data is incorporated into the process of developing the annual utility rate. If the improvements upgrade the quality of the space, units will presumably enjoy the benefits of the upgrades during their period of occupancy and potentially realize increased value in future market transactions.

Q14: Does this mean that units will now have property rights in the space that they occupy?
A14: Yes, units will be free to use their assigned space as they wish (within the limits of code requirements), lease it to other units, or negotiate outright sales to other units. However, all transactions must be with other campus units and the proposed use must not be detrimental to the occupants of adjacent space.

The campus and the East and West Side Space Management Committees, in their roles as quasi-zoning boards of appeal, will retain the responsibility of ensuring that proposed transactions maintain the greater good of the campus and will result in appropriate and complimentary space utilization, especially in the context and current usage of adjacent spaces.

Q15: Could a state-supported unit enter into a transaction with an Auxiliary unit?
Q16: Could a state-supported unit lease space to another governmental entity?
Q17: Could a unit sub-lease part of its space to a commercial tenant?
A15 - 17: Only with the approval of the Office of the Provost and coordination by the university's Office of Capital Programs and Real Estate Services.

Q18: How does the space economy deal with inequities in the existing distribution of space, variations in the revenue generating potential of various programs, and differential availability of extramural funding?
A18: These distributional questions will have to be handled separately on a case-by-case basis. We acknowledge that inequities exist; we take them as a given.

Q19: What will happen if a college needs space for a major recruitment and the college does not have any space?
A19: The college will have to negotiate with other units and identify resources necessary to secure the required space.

Q20: What will happen if the college can not compete in the market to secure the required space?
A20: Then it should reconsider the value of the recruitment relative to its other priorities.

Q21: Won't the space economy increase the spatial and financial disparities between colleges?
A21: Not necessarily. It may force units that are space intensive to reengineer their modes of operation in order to divest themselves of inefficiently used space. They could then use resulting financial resources to improve the quality of their remaining space.

Q22: What will happen if a unit, that does not generate revenue, needs space for a new commitment that the campus chooses to support?
A22: In cases of this type, the campus could offer to rent or purchase space on behalf of the unit; or it could choose to implement an eminent domain action, including compensation, to secure space for the greater good of the campus.

Q23: Who pays to have the roof of my building fixed?
A23: The space economy arrangements are somewhat analogous to those in a condominium development. In a condominium development, the owner of each unit is assessed a monthly fee to

ensure the grass is cut, the sidewalks are shoveled, the common areas are maintained and the elevators work properly. In the space economy, this would be covered by the O&M charge. In a condominium, each unit is responsible for its own utilities. As metering improves, this will also be the case in the space economy.

If the roof leaks in the condominium development, the cost is shared by all the units through a special assessment or other arrangement. In the space economy, monies will continue to be set aside centrally for capital renewal and replacement projects. Some funding for such needs is already available. Historically, the University has relied on the State for the major portion of funding these needs. If more funding is needed, the campus may decide to assess a deferred maintenance or capital improvement fee to address the more major needs on the campus, just as a condominium association might decide to do. This same logic would apply to major building systems, e.g. HVAC, water, and fire alarm systems. Assessments of this type would be campus-wide, not building-specific.

Q24: What if new space is to be constructed on campus increasing the total square footage of the campus? Who will pay for the occupancy, O&M, and utility costs for that space?
A24: There may be instances where new space is constructed to replace existing space. In those instances, we would expect that the new space costs will replace the existing costs; there may even be savings, as the new construction offers opportunities for more efficient space utilization and higher energy efficiency. At minimum, the goal for replacement space should be a net zero impact on space costs. We predict that the construction of completely new space, representing an increase to the total square footage on campus, will be a rare event. As such cases occur, they will be addressed on a case by case basis.

Q25: How can I determine how much space I'm being charged for?
A25: The Space Economy utilizes information in the central space inventory (maintained by the Office of Facility Information Management, or FIM). However, not all the space in the FIM database will be included in the space economy (e.g., Auxiliary, leased, and non-assignable spaces are excluded). Any user can access FIMWeb (https://fimweb.fim.uic.edu/) to preview their assigned space. However, this is a secure website and only a unit's "gatekeeper" has full access to the database. A complete listing of the "gatekeepers" can be found on FIMWeb (https://fimweb.fim.uic.edu/SpaceSurvey/gate_prelog.asp).

Q26: What if the information in the FIM database is wrong?
A26: As noted above, every unit has a "gatekeeper" who is responsible for maintaining the space inventory for that unit. There are two ways a unit can make changes to its assigned space. The first is through the annual space survey process. The goal of the space survey is to verify and update a department's information to ensure an accurate inventory of various characteristics of the University's space (e.g., jurisdiction, space use, functional utilization, occupancy). Accurate space information is critical for the University's planning and reporting purposes, as well as in calculating and recovering facilities-related indirect costs from federal and other research sponsors.

If a unit notices a space discrepancy outside of the space survey timeline, the gatekeeper can work with the Facility Information Management staff to make the changes in FIMWeb. However, Facility and Space Planning will be reviewing and approving all space changes that include multiple colleges or vice chancellor level units once the Space Economy has been implemented.