DEPARTMENT OF PUBLIC WORKS SPACE ACQUISITION AND DISPOSITION

Connecticut

General Assembly

LEGISLATIVE
PROGRAM REVIEW
AND
INVESTIGATIONS
COMMITTEE

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CONNECTICUT GENERAL ASSEMBLY
LEGISLATIVE PROGRAM REVIEW AND INVESTIGATIONS COMMITTEE

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LEGISLATIVE PROGRAM REVIEW
& INVESTIGATIONS COMMITTEE

Department of Public Works: Space Acquisition and Disposition

DECEMBER 2001

Digest
Department of Public Works (DPW)

FACILITY PLANNING

FINDINGS

- *Projections from program review's casefile sample suggest more the 60 percent of the agencies have been in the same leased facility more than five years. Approximately 20 percent have been located in the same space for 10 or more years.*

- *Responsibility for evaluating whether leasing is the best way to meet a space need is not clearly defined.*

- *Currently, there is no formal process to produce a feasibility study for leases.*

- *Agency proposals for leasing may move forward without formal consideration of alternatives.*

- *Examination of DPW's responsibilities regarding initial processing of space requests suggest duplication of effort. DPW's Process Management unit acts primarily as a medium through which the client agency conveys information to the Office of Policy and Management (OPM).*

- *The guidelines used by state agencies in forecasting and calculating space necessary to fulfill their missions are outdated.*

- *Lease expiration notices are not sent in accordance to DPW's policy and procedures manual.*

- *There is no written policy as to how much time agencies have to respond to DPW's expiration notice.*

- *There is lack of consistent documentation and poor tracking in DPW's Process Management unit for initial handling of space requests.*

RECOMMENDATIONS

1. **OPM must analyze FACCAP lease requests to determine if buying or constructing a facility would be an economical alternative to leasing. Whenever necessary, OPM may order a feasibility study be completed by DPW. The findings of OPM's analysis shall be included in FACCAP along with the number of years the specific space need has been met through leasing.**

2. **OPM shall assume all responsibilities for initially processing requests for space including the dispatching of advance expiration notices. OPM shall establish and monitor turn around times for notices.**

3. **State agencies should deal directly with OPM in requesting space. Once OPM has granted its approval, the request should be forwarded to DPW to continue the space acquisition process.**

4. **DPW must evaluate the state's space standards guidelines and update the space standards manual by January 1, 2003.**

LEASING PROCESS

FINDINGS

- *Neither the relevant statutes or manual have established turnaround times for any of the leasing steps.*

- *DPW has never promulgated regulations specifying how it will carry out their responsibilities in the leasing process.*

- *DPW's leasing manual, last issued in 1986, is outdated and refers to staff functions for positions no longer filled.*

- *Documentation of the leasing process is too inconsistent to allow management to monitor the progress of leases.*

- *Closer supervision of the leasing agents is needed to ensure that leases are processed in a timely manner.*

- *OPM's second review of proposals that fall within pre-authorized levels is duplicative.*

- *The State Properties Review Board has assisted DPW staff in obtaining better negotiations and performing basic functions.*

- *The longest of amount time (5.2 months) of the lease process is spent in the actual drafting and signing of the lease.*

- *Additional requests for information and clarification are frequently extensive.*

- *The need for formal communication between DPW's leasing unit and the attorney general's office is high.*

- *Current leasing staff have absorbed responsibilities previously conducted by a lease compliance officer.*

- *Leasing agents spend a substantial amount of time attempting to resolve lease compliance items such as repairs, carpeting, painting, and parking.*

- *Lease management received low rating in the program review survey of client agencies.*

- *A substantial number of DPW's leases are on holdover status.*

- *DPW invitations to bid do not generate many proposals.*

- *Client agency actions may give existing landlords a stronger bargaining stance and limit competition.*

RECOMMENDATIONS

5. **DPW must update its leasing manual to accurately reflect the agency's current policies and procedures. DPW should develop specific time standards for the various procedural steps within each phase of the lease process and promulgate regulations accordingly.**

6. **DPW must redesign and integrate the current lease tracking instruments into a system that includes lease status reporting for all property agents and measures adherence to standards established for all critical points in the process. A monthly management report should be prepared to compare processing times to the standards. The report shall include documented explanations for all transactions not meeting the standards and what action is planned to get transactions back on schedule.**

7. **OPM's approval at the lease proposal stage should only be for proposals exceeding preauthorized levels.**

8. **DPW shall conduct a formal training needs assessment of all leasing and property agents including but not limited to their ability to conduct negotiations and evaluate alternatives. Training shall be provided as needed.**

9. **DPW and the Attorney General's Office must finalize standardized lease language by March 31, 2002.**

10. **DPW shall hire a director for its space acquisition function who will assume a quality control position. A formal quality control system shall be established to provide a review of all real estate transactions before they are sent outside the unit.**

11. **The lease management function shall be strengthen and removed from current leasing agents and instead a position be created to deal with these issues. The lease compliance officer will have primary responsibility for:**

    - **Handling lease management issues raised by client agencies;**

    - **Conducting an annual inspection of leased property for conformance with terms of the lease; and**

    - **Providing an annual statewide compliance report based on their inspections to leasing agents, the State Properties Review Board (SPRB), OPM, and the attorney general's office.**

12. **DPW shall develop tools to flag potential lease renewals and establish a system to monitor the number of month to month leases that includes the length of time and reason a lease has been in holdover status.**

13. **DPW must annually remind client agencies through written notice or other formal means that existing state law prohibits disclosure of state real estate needs or interests with outside parties.**

14. **DPW should increase client agency awareness that even casual routine communications with owners can weaken the state's negotiating power.**

15. **DPW should formalize its initiative of allowing real estate representatives the opportunity to conduct presentations to the leasing unit.**

PROPERTY DISPOSITION AND ACQUISITION

FINDINGS

- *The disposition process is complex and time-consuming.*
- *Better and earlier identification of surplus property is needed to assist in the state's planning and strategizing of how to best dispose unused property and may provide municipalities advance notice of possible availability.*
- *Property sales to municipalities are slow.*
- *Statutory timeframes for dispositions are not realistic.*
- *DPW's property acquisition and disposal manual is outdated.*
- *There is little to no documentation evident in DPW casefiles regarding negotiations for acquisitions.*
- *There is no reference to the use or disclosure of appraisals mentioned in DPW's statutes.*
- *DPW does not have a formal process for the selection of appraisers or inclusion of new appraisers.*

RECOMMENDATIONS

16. **The state shall develop standards and criteria for defining surplus and marginal use property and improve its long range planning.**
17. **The existing statutory deadlines shall be eliminated and be replaced with realistic and reasonable guidelines developed by OPM. The guidelines should be established no later than September 1, 2002.**
18. **DPW, in conjunction with OPM, shall establish a monitoring system to track the disposition process from beginning to end. Information from this system should be included in DPW's annual report to the SPRB and the legislature.**
19. **DPW must update its property acquisition and disposition manual to reflect the department current policies and procedures. Regulations shall be promulgated as needed.**

20. **DPW shall develop a standardized format for documenting any negotiations with property owners. In addition, the documentation should include an analysis of purchase alternatives and reasons why the subject property was chosen.**

21. **The DPW statutes shall be amended to reflect policy regarding the use and disclosure of appraisals for DPW real estate transactions.**

22. **The State Properties Review Board shall be granted authority to request, at its discretion, additional appraisals to assist in its review process.**

23. **DPW shall adopt a formal process for the selection and inclusion of new appraisers to be used in its real estate transactions.**

DPW ORGANIZATIONAL STRUCTURE AND OTHER ISSUES

FINDINGS

- *DPW's current organizational structure as it relates to space acquisition and disposition is disjointed.*

- *A number of reporting inaccuracies were found in a series of DPW annual reports.*

- *There is no review mechanism in place to prevent deviations from the State Properties Review Board's final decisions.*

RECOMMENDATIONS

24. **All DPW responsibilities relating to leased facilities and property acquisition must be organized into one separate dedicated unit.**

25. **DPW must establish better information tracking and take steps to improve its quality control with a goal of zero errors in the statutorily required reports.**

26. **The State Properties Review Board should be empowered to sign all leases prior to their final execution. SPRB shall review each lease for compliance with its decisions. All leases differing materially from the terms of SPRB decisions must be reported to the State Auditors Office for further investigation. Parties involved in transactions determined to be out of compliance should be held accountable and subjected to strict penalty and disciplinary action.**

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Introduction

DPW Space Acquisition

In February 2001, the Legislative Program Review and Investigations Committee authorized a study of the property acquisition and disposition function within the Department of Public Works (DPW). The study focus, as approved by the committee, was to determine if DPW is acquiring and disposing state property in compliance with relevant state laws and regulations and in a manner that effectively and efficiently meets the needs of state agencies.

In particular, the scope of study called for determining if:

- facilities are purchased, leased, and disposed in a timely manner;
- purchase, lease, and sale prices received by DPW are similar to private sector transactions;
- purchasing, leasing, and disposal processes are open and competitive; and
- occupying state agencies are satisfied with the suitablity of the facilities.

The study scope did not include matters associated with designing, constructing, and managing facilities by state agencies authorized to carry on these activities either within DPW or outside the department's jurisdiction.

Although DPW was the central focus of this study, it was difficult to evaluate the department's performance without consideration of the roles played by other agencies involved in space acquisition. The Office of Policy and Management (OPM), the State Properties Review Board (SPRB), the Office of the Attorney General (OAG), and tenant agencies all play roles in the process and thus impact DPW's performance.

Over the years, procedural control after procedural control has been added to the state's space acquisition process in response to audits and concerns about safeguarding the state's interest and minimizing potential fraud and abuse. Such procedural controls are important and useful provided they are balanced with efficiency and effectiveness and do not cause agencies to lose sight of their basic mission. The cumulative result of these well-intended procedural controls is a process that is complex, cumbersome, time-consuming, and potentially costly to the state. These delays impede timely space delivery and may discourage competition for government real estate transactions.

As part of its study, the program review committee conducted an in-depth case file review of active DPW leases and recent real estate transactions. To conduct a more comprehensive evaluation of the processes, the committee examined related case files maintained by the Office of Policy and Management as well as the State Properties Review Board. The program review committee believes involvement of all the existing major players is

essential. However, streamlining the process is critical and internal controls are lacking in very crucial spots.

The following report contains the committee's findings and recommendations for the space acquisition and disposal function. While most of the findings and recommendations relate to DPW functions, some affect the other agencies as well. The report is organized into ten chapters. Chapter I presents background information on the Department of Public Works and identifies other agencies that are actively involved in the space acquisition process. Chapter II explains the first phase of the space acquisition process through the statewide facilities and capital plan (FACCAP). Chapter III describes the DPW leasing process and gives information on the number, size, and cost of the state's leases. Chapter IV outlines the process followed in purchasing and disposing of state space. Chapter V describes the current status of the state real property inventory. Chapter VI highlights survey results of agencies under DPW's jurisdiction for space acquisition.

Finally, the committee's findings and recommendations are outlined the last four chapters. Chapter VII discusses facility planning and its effect on the subsequent space acquisition process. Chapter VIII profiles a random sample of DPW leases reviewed for length of process, adherence to policy and procedure, and discusses evident issues. Chapter IX outlines a similar discussion for real estate sales and purchases. Chapter X presents the broader issue common to all real estate transactions regarding organizational structure and working relationships between the major players involved.

Chapter I

Overview of DPW Administration

Over the past 25 years the Department of Public Works has undergone a number of significant changes. Structurally, the department was one of a number of agencies that were combined into a super agency as part of a major reorganization of state government in 1977 (P.A. 77-614). Under the reorganization most of DPW's non-administrative responsibilities such as facilities design, construction, leasing, and maintenance were assigned to a single bureau, known as the Bureau of Public Works, within the Department of Administrative Services (DAS).

In the 1980s, dissatisfaction with the services provided by the new DAS bureau began to appear in the form of legislation exempting certain agencies from some aspects of the bureau's jurisdiction. In 1981, authority over the construction and planning of capital projects related to mass transit, marine, and aviation transportation was transferred from the bureau to the Department of Transportation (P.A. 81-421). Responsibility for maintenance of the capitol building and grounds was removed from the bureau and given to the General Assembly's legislative management committee in 1982 (P.A. 82-438). A year later, the buildings and grounds occupied by the Connecticut Marketing Authority was exempted from the bureau's jurisdiction (P.A. 83-487).

In 1984, responsibility for the planning and construction of certain projects related to the Judicial Department and maintenance of all property under the control of the department was transferred from the public works bureau to the chief court administrator (P.A. 84-436). Also in 1984, the exemption of the capitol building and grounds from the jurisdiction of the bureau was extended to all buildings under the control of the legislative management committee (P.A. 84-48). The following year, authority over the planning and construction of a legislative office building and capital improvements to all facilities under control of the legislature was removed from the bureau and assigned to the legislative management committee (P.A. 85-301).

In 1987, the Department of Public Works was reestablished as an independent state agency (P.A.87-496). The rationale for recreating the department was based in part on the notion that much of the ineffective and bureaucratic action associated with the Bureau of Public Works was caused by the constraints inherent in operating in a super agency such as DAS.

However, the establishment of an independent public works agency did not stop other units of state government from pursuing attempts to gain control over the planning, construction, maintenance, leasing of their facilities. In 1988 DPW's authority to represent the state in leasing residential property for use by the Department of Mental Retardation (DMR) was transferred to DMR (P.A. 88-28). In 1992, the Department of Public Safety was give authority over the care and control of property used in connection with the division of fire and building safety (P.A. 92-130). In 1995, a billion dollars worth of construction and maintenance projects at the University of Connecticut were given a statutory exemption from the DPW's jurisdiction (P.A. 95-230).

Major Responsibilities

The current major statutory responsibilities of the Department of Public Works can be summarized as follows:

- To plan and construct capital improvement projects undertaken by the state with certain exceptions;
- To select design professional firms to assist in the development of plans and specifications;
- To provide technical advice and assistance to state agencies in developing plans for improving their facilities;
- To cooperate with OPM and the General Assembly in developing a capital program and budget;
- To purchase or lease of property and space to house state agencies;
- To maintain an inventory of all state owned or leased property and space-utilization data; and
- To supervision the care and control of the buildings and grounds owned or leased by the state in Hartford.

DPW Organization

During the year 2000, the Department of Public Works began an agency-wide reorganization. The new structure reflects the department's most recent strategic business plan. According to the DPW commissioner, the plan is the department's attempt to assess its operations, establish a direction for the future, and assign responsibility. Full implementation of the new organization is underway. A current organizational chart is illustrated in Figure I-1.

DPW's core functions are distributed among various divisions including Risk Management, Technical Resources, Client Service Teams, and Facilities Management. Of these, only Risk Management reports directly to the commissioner. The remaining units, shown across of lower half of the organizational chart, report to the chief deputy commissioner. A brief description of the responsibilities of each unit follows.

Risk Management. Created three years ago, this unit serves to coordinate the planning, budget, and resource allocation process. The unit is responsible for identifying and mitigating financial or programmatic risk to DPW. To accomplish this, the unit consists of the following functions: Human Resources, Information Technology, Financial Management, Process Management, and Statewide Security.

Related to this study, it should be noted there is one staff person in Process Management who is responsible for reviewing all requests for leased space.

Technical Resources Unit. This unit provides state agencies with advice and oversees their activities on statewide initiatives dealing with hazardous materials, underground tanks, environmental evaluation, and energy conservation. The unit assists state agencies that are managing minor capital projects (under $500,000). It also collects and evaluates information on the claims filed against DPW and assists the Office of the Attorney General in handling the claims.

Client Service Teams Unit. This unit is responsible for most of the facility construction undertaken by the state. The unit's functions include assisting agencies in the early planning of a project, overseeing the design phase, managing the bid process, and management of construction from the beginning through project close-out. The client service unit has five subunits organized around agency groupings. The subunits include higher education; health and human services; judicial and general government; community technical colleges; and selection, which oversees the process for obtaining services.

Property Acquisition. This unit, consisting of one full-time employee reporting to a deputy commissioner, works with the Office of Policy and Management to buy, convey, and/or sell property for the state. According to the DPW strategic business plan, this unit is undergoing some restructuring which will be addressed at a later time.

Facilities Management. The focus of this unit is the management of DPW facilities and space. The unit is divided into five sections:

> Property Management - oversees the contracted management of the various buildings and grounds under the care and control of DPW.
>
> Operations and Trades - provides in-house property management including custodial services and professional services such mechanical, heating, ventilating and air conditioning.
>
> Risk and Asset Management - provides a variety of support services including space use management, preventive building maintenance program, oversight of environmental/energy/safety compliance in DPW managed buildings, and maintain the DPW land and building inventory.
>
> Security - provides security services for the State Office Building and surrounding grounds.
>
> Leasing – handles all leases whether for client agency use or a lease-out of state owned property for public use. The department's leasing function was transferred to the Facilities Management unit in late 2000. Prior to this reorganization, the leasing function was a separate unit.

DPW Leasing and Property Transfer

As described above, various aspects of the space acquisition function are handled by staff in three different DPW units. Figure I-1 highlights the units involved.

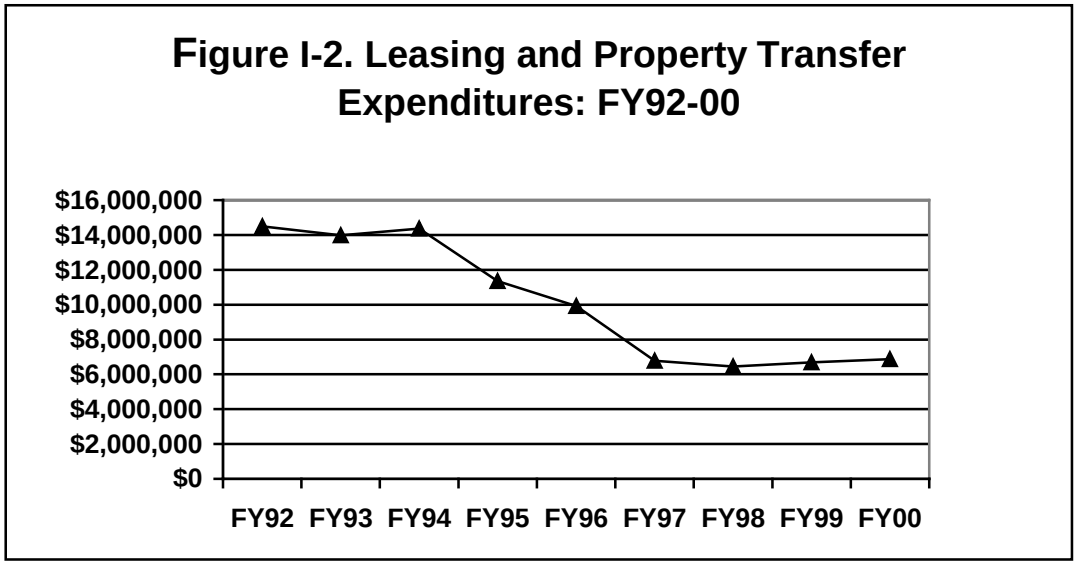
Staffing levels. During the early 90s, all leasing and property transfer functions were found within one unit which contained eleven staff members including a leasing director. Attrition, early retirements, and the state's hiring freeze have reduced the number of staff available to perform this function to five individuals including: three leasing agents, one supervisor, and one administrative employee. Transactions involving leased facilities are carried out by this leasing unit which is supervised by the director of the Facilities Management Division. However, requests for leased facilities are initially reviewed by one staff person in the Process Management unit within the Risk Management Division.

Purchases and sales of state property are separately overseen by a deputy commissioner and a project manager assigned to the Property Acquisition unit.

Funding. Overall, expenditures for leasing and property transfer totaled $6,846,790 in FY00. The leasing and property transfer budget includes costs for personal services, rents and moving expenses. DPW is statutorily responsible for the care and control of executive branch leased property in the city of Hartford. This responsibility consumes approximately 90 percent of the unit's expenditures.

As outlined in Figure I-2, total budget expenditures for this function have significantly decreased since FY92. In FY92, the unit's expenditures totaled approximately $14.5 million representing 37 percent of the agency's budget compared to just under $7 million and 14 percent of the department's $48.5 million expenditures in FY00.

During the 90s, the department pursued and implemented the state's initiative of less reliance on lease space. As a result, there has been a dramatic change in expenditures due to a considerable decrease in the total amount of rents and moving expenses which are contained within the leasing and property transfer budget.



Other Agencies Involved in Space Acquisition & Disposal

Although DPW is the central focus of this study, it is difficult to evaluate the department's performance without consideration of the roles played by other agencies involved in space acquisition. The Office of Policy and Management (OPM), the State Properties Review Board (SPRB), the Office of the Attorney General (OAG), and tenant agencies all play roles in the process and thus impact DPW's performance. The following provides a brief description of the major players and their role. More specific detail on their involvement in the process is outlined in subsequent chapters.

DPW tenant agencies. As noted previously, the Department of Public Works is statutorily responsible for all state agency space acquisitions with a few exceptions. The Departments of Labor and Transportation, all transactions involving the legislative branch, as well as certain projects by the University of Connecticut, Department of Public Safety, the Judicial department, and residential leases for the Department of Mental Retardation have been made statutorily exempt from DPW's jurisdiction.

Except for the fore mentioned exemptions, every agency under DPW's jurisdiction is required to submit all requests for space to the department. It is each agency's responsibility to estimate its space requirements, secure funding for its needs, and notify DPW of its intent to renew, relocate, or in any way modify its current space status.

OPM – Organization & Role

Created in 1977, the Office of Policy and Management (OPM) serves as the Governor's staff agency. It's primary function is to provide information and analysis used to formulate

public policy goals for the state. OPM prepares the Governor's budget proposal and oversees the execution of the budget as approved by the general assembly. In addition, OPM is responsible for coordinating intra-agency and inter-agency efforts to implement state policy decisions.

Originally, the general statutes charged DPW with responsibility for coordinating the real estate function for the state of Connecticut, but beginning in July 1992, some of the real property management functions were turned over to OPM.

The Bureau of Real Property Management was established within the Office of Policy and Management through legislative action. The bureau was charged with determining statewide facility requirements and examining property assets in a broader context. Its purpose was to make assessments beyond agency specific program needs and develop a wider range of options consistent with statewide policy.

Currently, the bureau is known as Assets Management within OPM's Policy Development and Planning Division. There are seven divisions within OPM that report to the Office of the Secretary. These include: Budget and Financial Management; Office of Finance; Intergovernmental Policy; Office of Labor Relations; Policy Development and Planning; Strategic Management; and Division of Administration.

Of these divisions, Policy Development and Planning has the most impact on state leasing, acquisition, and disposal transactions. Within the division, the Assets Management unit, consisting of two analysts and a unit director, evaluates and makes recommendations regarding asset management ensuring appropriate use and consistency with long-range capital and program plans. It also maintains an inventory of the state's real property.

In addition, financial analysts assigned to the individual tenant agencies within OPM's Budget division also get involved in the space acquisition process. Further discussion of OPM's role in space acquisition is provided in subsequent chapters.

State Properties Review Board

The State Properties Review Board (SPRB) was statutorily created in 1975 after a legislative investigation of improprieties in leasing. The board's purpose is to provide guidance and assistance to state agencies to ensure that real estate transactions are done in a professional manner, that costs are reasonable, and that proposals are in compliance with state laws, regulations and procedures.

By law, the board is authorized to review and approve proposed actions involving: 1) the acquisition, construction, development, or leasing of real estate or buildings for state agency use; 2) the lease or sale of real estate by any state agency to third parties; and 3) the selection of and contracts with design professional selected by the public works and transportation commissioners. It considers the feasibility and method of acquisition and the prudence of the business method proposed.

The State Properties Review Board is responsible as well for overseeing the Agriculture Department's acquisition of developmental rights to agricultural land and certain Department of Transportation acquisitions and settlements. The board must also review and comment on two statutorily required reports: the Department of Public Work's annual state agency real estate

report and the Statewide Facility and Capital Plan (FACCAP) prepared by the Office of Policy and Management.

Membership, Qualifications, and Terms. Statutorily, the board has six part-time members: three appointed jointly by the House speaker and Senate president pro tempore and three appointed jointly by the House and Senate minority leaders. No more than three of the members may be of the same political party.

Of three members appointed by the speaker and the Senate president pro tempore, one must be experienced in architecture, one in building construction, and one in engineering. Of the three appointed by the minority leaders, one must be experienced in real estate and building purchasing, selling, and leasing; one in general business matters; and one in management and operation of state buildings. No member may hold any other state or municipal government job, be directly involved in any enterprise that does business with the state, or be directly or indirectly involved in any enterprise concerned with real estate acquisition or development.

The board is considered an independent body within the executive branch. Members serve staggered four-year terms. Members receive $200 per day up to a maximum of $25,000 per year. The members choose their own chairman. Current board member's terms expire as follows:

Table I-1. SPRB Membership and Terms (As of August 1, 2001)	
Appointed by the President Pro Tempore of the Senate and Speaker of the House	
Name	*Term Expiration**
Lisa A. Musumeci	June 30, 2002
Paul Cramer	June 30, 1999
Bennett Millstein	June 30, 2001
Appointed by the Senate and House Minority Leaders	
Rowland Ballek (*Chairman*)	June 30, 2002
Pasquale A. Pepe	June 30, 2001
Edwin S. Greenberg	June 30, 2003
*Members continue to serve terms until new appointment made.	

The State Properties Review Board is staffed by six full-time employees. The day to day operations of the board are overseen by an executive director and a professional planning analyst. Four support staff handle the administrative and clerical aspects of the board's activities.

Office of the Attorney General (OAG)

Established in 1897, the Attorney General is the chief legal officer of the state. The office serves as legal counsel to all state agencies to protect the public interest. The office is statutorily responsible for determining the legal sufficiency of all state realty contracts and leases, both as to substance and to form. The office is also responsible for enforcement of all terms of all agreements, including, but not limited to, the obligations of all landlords to meet the terms of leases.

Organizationally, the OAG has 16 legal departments covering the vast array of state agencies and services. Real estate transactions are handled within one department by a unit manager and four attorneys. Although assignments are made according to time and workload constraints, one attorney is generally responsible for property transfers, another is assigned to lease transactions while the remaining two are primarily litigators.

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Chapter II

Facility Planning Process

Overview

A principal component of the space acquisition process is the Statewide Facility and Capital Plan (FACCAP) which outlines how each state agency will meet its facility needs over a five-year period. Legislation establishing FACCAP was first passed in 1977. The Department of Administrative Services was initially responsible for its preparation, however, in 1981 this responsibility was transferred to the Office of Policy and Management (OPM).

In 1988, the firm of Arthur Andersen was retained to conduct a review of Connecticut's FACCAP. The emphasis of the report was to make FACCAP a more meaningful planning and decision tool. As a result, changes were made to timeframes as well as some format and content components. Since that time, the statutes have been amended a number of times to change reporting requirements and submittal dates.

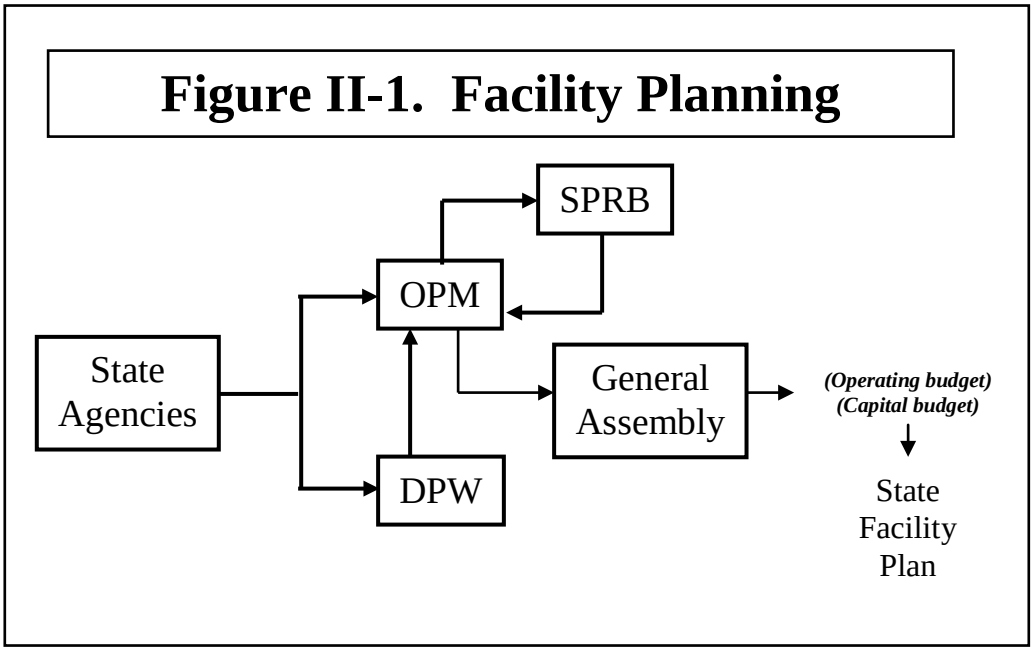
Published biennially, the plan identifies the facility needs of state agencies and how those needs will be met. The plan is based on input provided by multiple executive branch agencies and actions of the General Assembly.

OPM is responsible for the overall plan preparation and manages the initial stages of the plan's development. OPM's Asset Management unit coordinates agency plan proposals with the state budget. Through the FACCAP planning and budget process, OPM becomes responsible for identifying and approving program levels and associated state agency facility needs. DPW implements the facility projects necessary to carry out agency programs by leasing and/or purchasing appropriate space.

Development of the State Facility Plan

The space planning and implementation process is complex and involves most state agencies and departments. Each agency undertakes a planning process and determines its space needs and transmits these needs annually to OPM and DPW. The degree to which state agencies undertake space planning and define their space needs varies considerably from agency to agency depending in large part on the size of the agency, its mission and functions.

The process for developing the State Facility Plan, as specified in state statute, is shown in Figure II-1 and outlined below.



Steps in the development process. In even-numbered years each state agency, following guidelines established by OPM, is required to project the agency's facility needs over a five-year period based on its program plans. DPW is required to offer state agencies technical assistance in developing their individual facility plans. State agencies must submit their proposed facility plan to OPM and DPW by September first of each even-numbered year. The agency's submission is suppose to identify:

- Long-term and short term facility needs;
- Opportunities for substituting state-owned space for leased space;
- Facilities proposed for demolition or abandonment which have potential other uses; and
- Space modifications or relocations that could result in cost or energy savings.

DPW must review the agency plans for factors such as cost, space requirements, and implementation scheduling and the objectives of DPW regarding the maintenance, improvement, and replacement of each agency's facilities. DPW must complete its review and forward its comments to OPM by December first of each even-numbered year.

This information is provided to OPM's Asset Management Unit which works in conjunction with OPM's Budget Division. The OPM budget staff reviews the information and makes recommendations based on anticipated staffing and program levels at each agency. Together, the OPM staff review the requests for consistency with the agency's programs and fiscal resources.

OPM is responsible for integrating all state agency space need requests into a unified plan. The plan must include all the proposed leases and capital projects and a statement on how the actions called for in the plan promote the state's goal of colocation of human service agencies. This version of the facilities plan must be provided to the State Properties Review

Board (SPRB) by February fifteenth of each odd-numbered year. The board must review the plan and submit its recommendations to OPM by March first.

After considering the board's comments, OPM finalizes the plan and is required to present its recommended facility plan to the General Assembly by March fifteenth of each odd-numbered year. The legislature does not formally act on the entire plan, rather the elements of the plan approved by the General Assembly are considered to be those included in the operating and capital budgets adopted by the legislature.

OPM is required to update and modify its recommended facility plan in accordance with the actions of the General Assembly. Once OPM completes the required revisions the plan is known as the State Facility Plan. It is important to note, the plan that emerges from this process is an advisory document intended to guide the actions of DPW.

FACCAP goals and trends. FACCAP establishes a number of state goals and implementing policies to be considered whenever space utilization and space management decisions are made. These goals are guided by four general principles: 1) cost efficiency, 2) quality of service delivery, 3) preserving the state's infrastructure, and 4) the need to provide a comfortable and space-efficient working environment for state employees. A complete listing of the FACCAP goals and implementing policies are provided in Appendix A.

Among the FACCAP's stated goals is the reduction of dependency on leased facilities. To achieve this goal, the state's policy has been to discontinue leases where feasible, limit the use of leased space to interim needs, and replace leases with state-owned facilities as soon as it is economically feasible. FACCAP trend analysis suggested that since FY 96-97 lease space has accounted for no more than five percent of the total space used. Table II-1 provides FACCAP analysis of the amount and percentage of state space leased and owned by fiscal year.

As the table shows, the total amount of space owned and leased by the state has increased 19 percent from 45,013,348 in FY 91 to 53,572,502 in FY 00. The overall square footage of state property owned has increased over the years by almost 23 percent. At the same time, the amount and percentage of leased space has gradually decreased at almost the same rate. However, as the FACCAP analysis notes, it is unlikely that leased space can be eliminated altogether. Due to programmatic needs, many agencies are required to be located in specific geographic areas necessitating continued reliance on leased facilities. As such, OPM's Assets management policy focuses on ensuring that no agency is place in leased space if appropriate state-owned space is available and can be renovated in a timely and economical fashion.

Table II-1. Square Footage and Percentage of State Leased and State Owned Space.					
FY	SQFT Leased	SQFT Owned	Total SQFT	% Owned	% Leased
90-91	3,428,429	41,584,919	45,013,348	92%	8%
91-92	3,353,246	42,607,716	45,960,962	93%	7%
92-93	3,355,287	43,665,483	47,020,770	93%	7%
93-94	3,191,299	44,773,120	47,964,419	93%	7%
94-95	3,065,260	46,917,906	49,983,166	94%	6%
95-96	2,767,542	49,234,098	52,001,640	95%	5%
96-97	2,556,562	49,517,603	52,074,165	95%	5%
97-98	2,537,360	50,083,197	52,620,557	95%	5%
98-99	2,561,686	50,961,156	53,522,842	95%	5%
99-00	2,607,906	50,964,596	53,572,502	95%	5%
Source: Department of Public Works					

Determination of Agency Space Requirements. Space requirements including the amount of space, location, and any required special features are primarily developed by the client agency. In 1991, DPW developed a space standards manual intended to formally establish guidelines to determine the amounts of space needed by state agencies. The manual presents a series of planning approaches and methods for use by state agencies in forecasting and calculating space necessary to fulfill their missions.

The manual's standards and techniques are based on definitions and space assignment criteria generally accepted by the private and public sectors during the late 80s and early 90s. The department recognizes the need to revise the standards to conform with industry guidelines and plans to do so in near future. Until that time, the manual serves as the state's principal reference for determining the amount of assignable floor area needed for personnel, equipment, and support functions.

The manual contains three different space planning models that can be used to determine the space needs of state agencies. The model used to determine space depends on the level of detail involved and the purpose for which the results will be used.

According to the manual, levels I and II are useful planning methods for projecting space needs as part of the five year FACCAP process while level III is applicable to specific facilities situations where a discrete project has been identified and designs are being developed.

Level I is a general long-range forecasting model that only requires the input of the total number of personnel employed by a state agency in order to arrive at gross square feet requirements. This approach provides a preliminary rough basis for projected facility requirements when detailed information on staffing levels by specific category and support functions is not available. As such, level I projections are useful only in making initial approximation of space needs.

Level II provides a slightly more detailed approach to determining space needs. It determines space needs based on the projected numbers and categories of personnel, various support functions, and certain assumptions regarding building efficiency. This planning approach makes certain assumptions with regard to workspace for agency employees and floor area requirements for support functions and equipment. The format is intended to be flexible enough to adapt to unique or extraordinary requirements until projected numbers are finalized.

The third level of planning for agency space needs requires firm data on agency employees within specific position categories, as well as actual requirements for support space and equipment and furniture. Level III is used by DPW to process agency requests for space. DPW staff is available to assist and work with state agencies in using these space planning methods and standards.

Requests for space. Once the statewide facility plan has been developed and finalized by OPM, all requests for space are handled by a DPW staff member within Risk Management. Every month, the DPW staff person identifies which agency leases will be expiring or contain a lease option to be executed within the next 18 months. Expiration notices are mailed requesting the client agency confirm the continued need for the existing lease or submit a request for new or additional space.

According to DPW staff, client agencies are typically given one month to respond. If an agency does not respond, a follow-up notice is sent. Once the agency submits its request, the Risk Management staff member is responsible for reviewing all space requests' conformance to FACCAP and ensures the appropriate level III space standards have been applied. When necessary, DPW provides the client agency with technical assistance in figuring space requirements. DPW must also check the state's inventory to determine if there is suitable and available space in state-owned facilities.

If an agency makes a request for space not approved in FACCAP, DPW obtains supporting documentation from the agency, re-evaluates the request for level III standard specifications, and forwards the request to OPM for review and approval through the emergency certification process outlined in statute. (This process is further explained in a subsequent chapter.) Without OPM's approval, the space acquisition process may not continue.

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Chapter III

DPW Leasing Process

The leasing process begins after the planning and budgetary approval processes have been completed. Each state agency must receive authorization through the Statewide Facility and Capitol Plan (FACCAP) or emergency certification from OPM prior to submitting a space request to the DPW leasing unit. The following narrative, also outlined in Figure III-1, provides a general description of the DPW leasing process.

Identification and assessment of potential space. Upon approval from OPM, DPW leasing staff, assigned by agency, initiates the search process. If the space request is less than 2,500 square feet, the leasing agent may begin his/her search for suitable space. However, state law requires the placement of a newspaper advertisement if the space request is in excess of 2,500 square feet. The ad, which is drafted by the leasing agent, must be placed at least once in a newspaper having substantial circulation in the area where the space is sought. By law, DPW must also send a notice to the regional chapter of the Connecticut Association of Realtors.

DPW gives proponents between 14 and 30 calendar days to respond to advertisements. All responses must be received and logged by DPW's Bidding unit before being sent to the leasing office. State law does not require DPW to only lease space from persons responding to the ads.

As part of its site search, the leasing unit may consult its internal leasing inventory to determine whether space is available in other state leased facilities. In addition, the leasing agent may review proposals made to previous ads, general real estate offerings sent to DPW, as well as sites advertised in the newspapers and other professional publications.

The leasing agent assesses all proposals and potential sites then selects the locations which meet the general requirements of the request including total amount of square feet, parking, geographical location, and any special needs. An initial site inspection is conducted by the agent and a representative of the requesting agency of all selected locations.

The requesting agency must complete a signed evaluation form indicating a preference for a particular site and whether or not the location appears to be acceptable or unacceptable. Among the evaluation items are: accessibility to employees, clients, handicapped, and public transportation; date of availability; suitability of layout for agency operations; and the extent of needed renovations.

The leasing agent reviews all agency comments and discusses proposed sites with the leasing supervisor. The leasing staff, in conjunction with the requesting agency, determine which sites are to be given further consideration.

Negotiations. Negotiations are conducted by the leasing agent and the owner or authorized agents of the sites found to be acceptable. The leasing agent will keep the client agency updated on any progress made in negotiations, however, negotiations between the client agency and proponents is illegal (C.G.S. § 4b-27). The leasing agent negotiates the terms, conditions, as well as any needed renovations with the proponents. If complex renovations are needed, the leasing agent may consult other DPW units for architectural, engineering, energy, or

code assistance. Negotiations continue until agreement is reached. If necessary, the leasing supervisor will assist the leasing agent with negotiations or determine whether alternative site options must be pursued.

Lease proposal outlines. Once agreement between the parties is reached, the leasing agent will draft a lease proposal outline (LPO). All agreements are to be committed to writing. Verbal agreements or consent are not allowed. The LPO summarizes the principal terms of the agreement including rental rate, length of lease, square footage, purchase or renewal options, items included in facilities such as utilities or janitorial services, and the nature of any renovations.

The LPO is sent to the proponent, the client agency, and the DPW commissioner for approval and signature. If the cost or size exceeds pre-authorized levels, the LPO must be reviewed and approved by OPM before proceeding. Once all necessary approvals are obtained, the leasing agent prepares a lease proposal summary package. The package includes the LPO, all supporting documents such as the space analysis, the evaluation forms, the advertisement, plans and specifications, code compliance review, other facilities considered, rent comparables, and any other relevant information. The package is submitted to each member of the State Properties Review Board for approval.

State Properties Review Board. All transactions under the jurisdiction of the SPRB are handled in a similar way. The board's staff records each proposed submittal and assigns it a file number. Using the board's information checklist, each package is scanned to determine if all required materials are included. Once all materials are submitted, the board's staff will review the items for the board's consideration.

As part of its review of lease proposals, one or all members of the board may conduct a site visit. In addition, the board may examine the former lease, dates and costs of all the state's leases on the premises, a list of all other properties leased by the state from the proponent, whether the proposal was included in the FACCAP, what other facilities were available, the cost and extent of needed renovations, and whether the negotiated rate is fair and favorable in light of market conditions. The board uses a variety sources to determine favorable terms including local real estate indices such as Cushman and Wakefield or CB Richard Ellis. The board's staff also conducts field visits to various regions of the state to find comparable rents. If more information is needed or questions or concerns arise relative to the proposal, the board may request additional documentation or ask DPW staff to meet with the board. On occasion, staff from the client agency may attend a SPRB meeting to answer questions.

It is the board's responsibility to ensure the proposals contain terms and conditions favorable to the state, make prudent business sense, and conform to state laws. If, upon review, the board still has concerns it may return the package to DPW leasing without approval. The board, at its discretion, may make recommended changes to the proposal. The DPW staff assess the nature of the board's concerns and comments and take the appropriate steps to address the concerns before resubmitting for final approval.

Review by Attorney General's Office. Once the board has approved a proposal, the terms or conditions cannot be changed or modified without its consent. Final decisions of the SPRB are signed by the chairman and returned to DPW for final lease execution. The leasing agent who prepared the proposal also drafts the final lease for the assistant attorney general

assigned to review DPW leases. The attorney general's office is responsible for determining the legal sufficiency as to form and substance of all state contracts and leases. After the assistant attorney general has provided a preliminary review, a final lease document is prepared and sent to the property owner and the agency commissioner for signature. The attorney general then provides final legal review and approval.

Final leases. Final leases are recorded by the clerk of the town where the leased space is located. Copies are sent to the client agency, SPRB, and the State Comptroller's Office. Any required renovation work may begin at this time. If no renovation work is required, or if renovations have been completed and inspected by DPW, the leasing agent prepares a rent control card which is sent to the occupying agency's business office. The rent control card begins rent payments.

LPO submittals. Table III-1 presents the approval rates for 354 DPW leases submitted to the SPRB from FYs 94-00. As the table shows, the total number of leases provided to the board for consideration have gradually decreased over the period. In FY00, DPW put forth 37 lease proposals to the board compared to the 59 leases submitted in FY94.

The vast majority of lease proposals are approved each year. Of the 354 leases submitted during FY 94-00 time period, 89 percent have been approved on their first submittal, 15 leases or four percent were approved after being resubmitted. Fourteen leases or four percent were withdrawn, and 9 leases representing three percent rejected.

The analysis found the number of resubmitted leases jumped in FY00. Prior to FY00, the number of leases approved on resubmittal represented five percent or less of the total submitted each year. In FY00, the number of leases resubmitted for approval grew to 16 percent of the total.

Table III-1. Leases Submitted to SPRB: FY 1994-2000.

FY	Approved	Approved on resubmittal	Denied	Withdrawn	Total
1994	50	-	3	6	59
1995	47	3 (5%)	3	5	58
1996	65	2 (3%)	-	1	68
1997	54	3 (5%)	-	-	57
1998	44	-	1	-	45
1999	27	1 (3%)	1	1	30
2000	29	6 (16%)	1	1	37
Total	**316 (89%)**	**15 (4%)**	**9 (3%)**	**14 (4%)**	**354**

Analysis of DPW's leasing inventory

As part of its study, the committee examined DPW's leasing inventory as of June 29, 2001. The inventory contains various pieces of lease information including amount of space leased, annual cost, location, occupying agency, and lessors. The following summary provides the analysis of this information.

Table III-2 shows the distribution of leases statewide as of June 29, 2001. As the table shows, the DPW inventory contained 206 active leases with an annual cost of approximately $35 million. The leases are grouped into three major categories of space: office, parking, and a variety of other types such as courtrooms, classrooms, and storage. The majority of leases are for office space with a total annual cost of nearly $31 million. Almost equally represented in number are leases for parking and other various types of space. However, the total annual cost for the miscellaneous leases, $3.2 million, is significantly higher than the total cost for parking leases at $754,077.

Table III-2. DPW Leases by Type and Annual Cost.		
Type of Lease	**Number of Leases**	**Total Annual Cost**
Office	155	$ 30,927,212
Parking	25	$ 754,077
Other	26	$ 3,273,188
Total	**206**	**$ 34,954,477**
Source: LPR&IC analysis		

Office leases. Table III-3 provides a breakdown of the office leases by categories of cost. More than 50 percent of the leases have a total annual cost of less than $100,000. Forty-seven percent of all leases annually cost the state $100,000 or more. Eleven leases have a yearly cost of more than $500,000. The single most expensive lease is held by the Department of Information Technology at an annual cost of $4,027,700.

Table III-3. Distribution of Office Leases by Annual Cost		
Annual Cost	Number of Leases	Percentage of Leases
$ 0-9,999	5	3 %
$ 10,000-25,999	16	10 %
$ 26,000-49,999	24	15 %
$ 50,000-99,999	37	24 %
$ 100,000-499,999	62	40 %
$ 500,000 – higher	11	7 %
Total	**155**	**100 %**

At the same time, more than 60 percent of the office leases are for less than 10,000 square feet, as shown by Table III-4. Thirty-seven percent of the leases are for 10,000 square feet or more. Seven leases are for more than 50,000 square feet. The individual largest office lease by square footage is located at 55 Elm Street in Hartford occupied by the state's constitutional officers.

Table III-4. Distribution of Office Leases by Size		
Square Footage	**Number of Leases**	**Percentage of Leases**
0-2,499	28	18%
2,500-4,999	30	19%
5,000-9,999	41	26%
10,000-24,999	34	22%
25,000-49,999	15	10%
50,000 – higher	7	5%
Total	**155**	**100%**
Source: LPR&IC analysis		

The cost per square foot for office space is presented in Table III-5. Seventy-five percent of the office leases cost less than $16 a square foot while 25 percent cost more. Seven of the leases are $22 a square foot or more. The single most expensive office lease per square foot belongs to the judicial department for $26.80 in Torrington. (This office space is adjacent to the court for courthouse operations.) Further analysis of the DPW lease inventory is provided in Appendices B, C, D, and E.

Table III-5. Distribution of Office Leases by Cost Per Square Foot		
Cost Per Square Foot	**Number of Leases**	**Percentage of Leases**
Less than $ 10.00	13	8%
$ 10.00 – 12.99	48	31%
$ 13.00 – 15.99	54	35%
$ 16.00 – 18.99	19	12%
$ 19.00 – 21.99	14	9%
$ 22.00 or more	7	4%
Total	**155**	**100%**
Source: LPR&IC analysis		

Chapter IV

Property Acquisition

Similar to the leasing process, state agencies looking to purchase space must submit its request to DPW. However, purchase requests are handled by staff in Property Acquisition. As mentioned previously, DPW's property acquisition staff consists of one person reporting to a deputy commissioner. A summary of the acquisition process is provided below and outlined in Figure IV-1.

Process. A state agency initiates the acquisition process by submitting its written request to DPW. The formal request may be sent to the DPW commissioner or directly to the property acquisition staff. Unlike the leasing process in which DPW staff calculates and confirms space requirements, the requesting agency alone identifies purchase need. DPW does not conduct a formal assessment of space needs for purchases and prior OPM approval is not required to begin the process.

The agency's written request typically states the reason and purpose for the acquisition. This information helps the property acquisition staff identify suitable parcels[1]. The purchasing agent advertises for proposals but is not statutorily required to do so. All ads are drafted by the purchasing agent based on the information provided by the requesting agency. Similar to the leasing procedures, all responses are received by DPW bidding office. Proposals are then forwarded to Property Acquisition.

The purchasing agent will also seek for suitable properties by investigating available parcels in the specified location or may be aware of property available from prior proposals. All proposals meeting the agency's requirements are explored. The purchasing agent, accompanied by an agency representative, will conduct site visits of all potential properties.

The requesting agency decides which properties are acceptable, however, a formal agency evaluation of each property is not done. Once the search is narrowed to one or two proposals, the purchasing agent arranges for site appraisals.

Appraisals are conducted by outside appraisers selected by the purchasing agent from a list of previously used appraisers. Criteria for the selection is based on appraiser's proximity to the property, expertise and knowledge of area, and availability. If the property is valued in excess of $1.5 million, two separate appraisals must be conducted.

The appraisals are reviewed by the purchasing agent and a copy is provided to the agency. In addition to a description of the property, the appraisal will contain a market analysis. The purpose of the appraisal is to estimate the market value of the proposed property. In assessing market value, the appraiser may consult data from sources such as building assessors, town clerks, zoning and tax collectors records, property owners, real estate brokers, and various real estate publications including multiple listing services and local newspapers.

[1]In some cases such as expansion projects, the agency may have already identified the desired property.

Depending on the specifications of the property needed, an environmental study might also be required. If so, any needed evaluations are prepared internally by the appropriate DPW staff in other divisions.

Based on this information, the DPW property acquisition staff may enter into verbal negotiations with the proponents. The requesting agency may not be involved in the negotiations. According to the purchasing agent, he is the only staff from DPW involved in purchase negotiations for most transactions. Occasionally, the deputy commissioner may get involved in larger negotiations. In all cases, the purchasing agent keeps the deputy commissioner informed of all progress and any problems.

Once a tentative agreement is made, the purchasing agent, authorized by the deputy commissioner, may draft a formal offer letter to proponents. However, the offer is conditional and not binding. The offer is then reviewed by the client agency, the DPW commissioner, OPM, and the State Properties Review Board (SPRB). For review, the purchasing agent prepares a formal proposal package containing the request letter from the agency, the appraisal, the conditional offer letter, and any relevant background information or materials such as maps or environmental studies. All parties must sign off and approve the offer prior to execution.

As with the leasing process, the requesting agency must obtain OPM approval on the negotiated deal. OPM's Asset Management staff checks the state-owned inventory for any suitable and available options. If none exists, OPM assesses the agency's budgetary condition, determines what the agency can afford, and approves proposals fitting its program budget. If OPM rejects the proposal, the agency may attempt to re-negotiate or re-bid. Once OPM has granted approval, the SPRB will examine the offer's terms and conditions. Similar to its review of lease transactions, the SPRB may conduct a site visit of the proposed property. It will consider the appraisal, check the offer against comparable sales in the area, explore any other available options, and request additional information or documentation if warranted. Although a formal presentation to the SPRB is not made, the board may ask for a meeting with DPW staff or a client agency representative to answer questions. The board, at its discretion, may recommend changes to the terms and conditions of the deal before approval. DPW staff will attempt to address the board's concerns before resubmittal. If the changes affect the sale price, then the deal must be resubmitted to all parties for reconsideration and approval.

As with leasing transactions, the terms or conditions approved by the board cannot be changed or modified without its consent. Final board decisions are returned to DPW for execution. The purchasing agent forwards a draft of the board's approved transaction to the Office of the Attorney General for review. The assistant attorney general assigned to handle DPW property transfers will examine the transaction for legal sufficiency and submit it to the Attorney General for final approval.

DPW Purchases. Table IV-1 provides the SPRB approval rates of DPW purchase acquisitions since FY 1994. As the table shows, DPW submitted a total of 37 purchase proposals to the SPRB during the seven year period. The most transactions occurred in 1994 when 13 were placed for consideration. Since that time considerably less purchase proposals have been put forth. Almost all proposals have been approved with two denials, two withdrawn, and one approved upon reconsideration.

Table IV-1. DPW Purchase Transactions: FY 1994-2000.

FY	Approved	Approved on resubmittal	Denied	Withdrawn	Total
1994	11	-	1	1	13
1995	2	-	-	-	2
1996	6	-	-	1	7
1997	7	-	-	-	7
1998	2	1	-	-	3
1999	3	-	-	-	3
2000	2	-	-	-	2
Total	**32**	**1**	**1**	**2**	**37**

Source: Department of Public Works

The area size and purchase price of approved transactions between FYs 1994-2000 are provided in Table IV-2. As the table shows, DPW has purchased approximately 249 acres of land and slightly over two million gross square feet for $85,452,006.

The size range of land and building area purchased has varied over the years. Total land acreage purchased annually has ranged from three to slightly more than 88 acres. The total building square footage purchased annually has ranged from approximately 2,500 up to 1.5 million. The majority of purchases have been for expansion of educational facilities, judicial operations, and parking.

The purchase price range has also varied widely with purchases for only $1 to nearly $20 million. With the exception of two years (FYs 94 and 95), the median purchase price has been between $100,000 and $200,000.

Table IV-2. Area Size and Purchase Price of Approved Transaction (FYs 94-00)					
FY	**Land area in acres**	**Building area in GSF**	**Purchase Price Range**	**Median Purchase Price**	**Total Purchase Price**
1994	29.68	1,427,634	$13,000 – $9,500,000	$1,898,444	$27,225,944
1995	8.29	461,010	$324,000 - $10,000,000	$5,162,000	$10,324,000
1996	3.36	25,278	$92,000 – $2,608,405	$219,922.5	$3,583,110
1997	88.71	82,579	$1 - $19,618,650	$200,000	$42,918,952
1998	52.03	2,880	$86,000 - $175,000	$170,000	$431,000
1999	48.18	2,520	$80,000 - $380,000	$109,000	$569,000
2000	19.399	12,699	$175,000 - $225,000	$200,000	$400,000
Total	**249.649**	**2,014,600**	**$1 - $19,618,650**	**$200,000**	**$85,452,006**
Source: Department of Public Works					

Space Disposition

State law outlines the steps in disposition of state property. Before state real estate may be offered for sale, the property must be declared surplus. Figure IV-2 charts the disposition of surplus property.

Surplus property. All state agencies, departments, or institutions must notify the secretary of the Office of Policy and Management (OPM) of any unneeded real property under its custody and control. OPM must approve an agency's determination that property is not needed. By statute, the agency controlling the surplus property must transfer custody and control to the Department of Public Works (DPW). OPM's Asset Management division supervises the property conveyance and gives notice to all state agencies of its availability. Any agency wishing

to use the property may submit a plan to OPM within 90 days outlining its intended use, budget, and timetable.

State law grants the commissioner of the Department of Economic and Community Development (DECD) the right of first refusal if the property can be used or adapted for use as an emergency shelter, transitional living facility for homeless persons, or low and moderate income housing. Within 90 days of notice, the DECD commissioner may submit a preliminary plan to OPM outlining its anticipated use. Within six months following the 90 day notification period, DECD must submit its comprehensive plan for development to OPM. Once its plans are submitted, the property shall be conveyed to DECD.

If DECD decides not to pursue the property for housing development, OPM will analyze any other agency plan and arrange for conveyance. If no agency submits a proposal to use the property, DPW is responsible for disposing of the surplus property.

Status of surplus property. Since 1995, 27 properties located throughout Connecticut have been declared surplus by a variety of state agencies. Half of the properties were designated surplus in 1997. The size and type of property has been quite diverse including a forest ranger's home, four state hospital campuses, an armory, a radio tower, and several small vacant lots. A breakdown by year, agency, and location is provided in Appendix F.

According to OPM staff, the length of the disposition process depends on many factors. First, there must be a determination made whether the property can be used by any other agency. The state must also assess the condition of all properties prior to offering it for sale or transfer. The size, type, location, and condition of property may make it difficult to market. In addition, the statutes require the state to offer the municipalities where the property is located the opportunity to purchase prior to placing it on the open market. This subjects the property to local policies and procedures which can be quite lengthy before being placed in the state's formal disposition process. Further explanation of the state's disposition process is provided below.

Disposition process. The Department of Public Works (DPW), in conjunction with OPM's Asset Management staff, is responsible for the disposition of most state property that is declared surplus.[2] The town(s) where the property is located as well as the members of the General Assembly representing the town(s) must be notified of the state's intent to dispose of the property. A general summary of the disposition process in charted in Figure IV-3.

As with the acquisition process, a property's fair market value is determined by an independent appraisal. OPM will solicit environmental studies and survey to determine property boundaries and liabilities, if any. Once the sale price has been established, the municipality where the property is located is provided the first opportunity to purchase the property at the fair market value. By statute, towns have 45 days to notify the state if they are interested in purchasing the property. OPM, together with DPW staff, will work with the municipality to

[2] With OPM's approval, the Department of Environmental Protection (DEP) and the Department of Transportation (DOT) may sell or transfer property under its control.

complete the sale if interest exists. State law dictates the sale transaction be completed within 60 days.

If the municipality is not interested in acquiring the parcel or fails to notify the state of its interest within the 45 day period, DPW and OPM may proceed with the property disposition in the open market. In some instances particularly large parcels, OPM has hired real estate consultants to assist in the disposal. The consultants advise the state on potential strategies for optimizing marketing and sale activities. The DPW property agent will prepare an advertisement soliciting bids and sets a date for bid opening. All bids are initially received by DPW's bidding office, opened publicly, and read aloud on the bid opening date. The minimum acceptable bid is the high appraisal value along with a 10 percent bid deposit.

The DPW property agent prepares a package of information which includes the appraisal report, copies of bid documents showing bid price, and any other related materials. The package must be reviewed and approved by the DPW commissioner, the OPM secretary, and the SPRB. In addition, the state keeps the affected town(s) informed of the disposition process. If the bid package is not approved by all parties, the property may have to be re-advertised and re-bid.

If the terms of the proposal are different than what was initially contemplated by the town where the property is located, the state must again offer the town the opportunity to purchase upon such terms. If the town has no interest, the disposition may proceed.

Once the package is approved by all parties, the legislature's Finance, Revenue and Bonding and Government Administration and Elections committees receive a copy. The committees have fifteen days after receipt to approve or disapprove the transaction. The committees may not change any terms or conditions of the transaction. If the committees do not act within that timeframe, the transaction is considered approved. In addition, the state treasurer must approve the disposal of any property purchased or improved with state tax-exempt proceeds.

Once all required approvals have been obtained, the DPW property agent notifies the approved bidder by certified mail that the bid has been accepted. The bid proposal is then submitted to the attorney general's office for final legal review. The proceeds from the sale of most state surplus property are divided between the State Properties Improvement Account and the original user agency for capital improvements to or maintenance of other property under its control.

Sale transactions. Information on DPW sale transactions for the seven years spanning FYs 1994 to 2000 is provided in Table IV-4. As the table shows, DPW has submitted 23 sale proposals of state owned property during this time. All sale transactions submitted to the SPRB have been approved. Two were approved after resubmittal and one was withdrawn from consideration.

Table IV-4. DPW Sale Transactions: FY 94-00					
FY	**Approved**	**Approved on resubmittal**	**Denied**	**Withdrawn**	**Total**
1994	1	-	-	1	2
1995	4	-	-	-	4
1996	1	1	-	-	2
1997	3	-	-	-	3
1998	4	-	-	-	4
1999	3	1	-	-	4
2000	4	-	-	-	4
Total	**20**	**2**	**-**	**1**	**23**
Source: Department of Public Works					

The total size and sales price of transactions approved between FYs 1994 and 2000 are listed in Table IV-5. During this timeframe, DPW sold approximately 191 acres of land and 148,000 square feet of property for a total of $4,684,706.

The total acres of land sold annually ranged in size from less than one acre to 85. The total building square footage sold annually ranged from 5,775 to 53,383. Similar to purchase prices, sale prices also covered a wide range from $1 to slightly more than $2 million. The median sale price was $6,000. The properties were sold to a combination of municipalities and private developers. Among the proposed uses for the sold properties include recreation, a museum, medical and elderly facilities, and other miscellaneous private development.

Table IV-5. Area Size and Sales Price of Approved Transactions (FYs 94-00)					
FY	**Total Land area in acres**	**Total Building Area in GSF**	**Sale Price Range**	**Median Sale Price**	**Total Sales Price**
1994	0.93	-	$6,000	$6,000	$6,000
1995	7.61	28,837	$1 - $3,000	$1	$3,003
1996	51.61	5,775	$1,000 - $1,000,000	$500,500	$1,001,000
1997	2.12	31,282	$58,000 - $126,400	$92,200	$184,400
1998	19.55	-	$1 - $54,000	$25,000	$104,002
1999	24.53	28,788	$600 - $1,191,500	$750	$1,193,600
2000	85	53,383	$700 - $2,026,001	$80,000	$2,186,701
Total	**191.35**	**148,065**	**$1 - $2,026,001**	**$6,000**	**$4,678,706**
Source: Department of Public Works					

Leasing of state-owned property. The DPW commissioner is authorized to lease state-owned land, buildings, and facilities to private individuals when the property is otherwise not used or needed by the state (C.G.S. § 4b-38). [3] By law, a municipality can lease such property for up to 20 years for a municipal use. The commissioner may also lease state-owned space for commercial, cultural, educational, or recreational activities at the prevailing commercial rental rate.

Parties interested in leasing space in state owned and controlled facilities may submit a request to DPW's leasing unit. Upon receipt, the leasing supervisor confers with DPW's Facilities Management division to check inventory of state owned facilities for available space. The leasing supervisor notifies interested party of space availability. If the party is still interested, the facility management staff will accompany them for a site inspection.

[3] The Department of Transportation and Environmental Protection are exempt.

If the site is acceptable, the leasing supervisor will negotiate terms and conditions of the lease-out with the interested party. The lease terms including the rental rate is established and approved by the custodial state agency. Upon agreement, the DPW leasing supervisor will submit lease-out terms to the DPW Commissioner who reviews and grants approval. The proposed lease-out then goes through same process as all other LPOs including review and approval by SPRB and the attorney general's office.

Once all approvals are gathered, the proposal is formally drafted into lease and executed. If the term of the proposed lease is for more than six months, written notice must be given to the chief executive officer of the town where the property is located. The notice must be delivered at least two weeks before lease execution and describe how the lessee proposes to use the property. The commissioner must deposit rental or lease payments in the General Fund and use them for the operation of the building or facility. Periodically, the facility management staff reassesses the condition of the property to see if improvements or changes need to be made which would be reflected in the lease terms.

DPW lease-out statistics. During FY 2000, the SPRB approved nine lease-out of state-owned property for total annual rent of $66,359. The lease-outs were made to a variety of private mainly non-profit organizations. Among their proposed uses were: six leases-outs for office space, two residential facilities, one daycare, and 94 parking spaces. In addition to the lease-outs, two easements were granted for utility companies.

Table IV-6. Lease Rates for Current DPW Lease-outs.

Lease Rate Per Year	Number of Leases
$1	9
$10	1
$100	1
$1,000 - $10,000	12
$10,001 - 15,000	5
$15,001 - 20,000	3
Over $20,000	4
Total	35

Source: Department of Public Works

As of June 29, 2001, DPW had 59 lease-outs to non-state entities. Table IV-6 displays the lease rates per year for existing DPW lease-outs. As the table shows, eleven leases are set at $100 or less. Twelve leases have annual rents between $1,000 and $10,000. Eight yearly rates fall between $10,000 and $20,000. Four leases charge more than $20,000 a year.

In addition, four lease-outs are being provided by the state free of charge. Twenty leases have nominal rates of $1, $10, $50, or $100 per term. According to DPW, lower rates are primarily given to municipalities and non-profit agencies – many providing on-site services to the custodial agency clients.

Chapter V

Inventory of the State's Real Property

State law makes several statutory references to the compilation and review of a real estate inventory of state-owned and leased properties. C.G.S. § 4b-1 lists among the Department of Public Works' statutory responsibilities the mandate to maintain a complete and current inventory of all state-owned or leased property and premises, including space utilization data. C.G.S.§ 4b-24(1)(a) further specifies the department compile and maintain comprehensive and complete inventories of all improved and unimproved real estate available to the state by ownership or lease. By law, the actual compilation of the inventories under the latter statute may be done by the Office of Policy and Management (OPM) as long as the information is made available to DPW.

In addition, the statutes assign OPM the responsibility of reviewing the inventories for long range planning (C.G.S.§4-67g). There is also a statutory reference made in C.G.S.§ 4-36 requiring state agencies to establish and keep an inventory account for the State Comptroller's Office of all real and personal property owned by the state and in the custody of each state agency.

As a result of these laws, three real property inventory systems had been established and maintained - one at the Department of Public Works, one at the Office of Policy and Management, and one at the Office of the Comptroller. Each had overlapping elements that required agencies to submit information at different times and in different formats.

Previous Studies

In December 2000, the Legislative Program Review and Investigations committee completed a study of the Department of Public Works' facility management function. During the course of that study the committee noted the department lacked a structured, automated management information system for facilities under its care and custody. As a result, inventory information was deemed to be not wholly reliable or accurate, management reports and analysis limited, and planning hindered. These findings were also noted in a 1999 report by the Office of the State Auditors.[4]

The auditor's report found the multiple systems set up by DPW, OPM, and the comptroller's led to duplication of effort, increased costs, and increased the chance of inaccurate record keeping. Both reports concluded the state did not have a complete, comprehensive, up-to-date real property inventory as required by statute. Since those reports were released, several developments have been made to address the issue. The evolution and current status of the inventory is explained in further detailed in the following section.

[4] Performance Audit Report, State's Real Property Management Systems, November 10, 1999, Auditors of Public Account.

Real Property Management System

In response to the auditor's report, the three central agencies responsible for real property management and financial reporting - DPW, OPM, and the comptroller's office – agreed to work together to develop an accurate, comprehensive state real property database which could be used by all state agencies.

Initially, the three agencies in conjunction with the Department of Information Technology prepared a proposal to acquire resources for the development and implementation of a comprehensive Real Property Management System (RPMS) to meet the state's varied property inventory needs. Funding necessary for constructing the new system was estimated to be $12 million over two fiscal years but not approved as a budget option.

Alternatively, the three agencies, with OPM leading the project, have developed a new initiative. This initiative combines and centralizes the existing databases into a new software program creating a single inventory system known as JESTIR – the Joint Effort for State Inventory Reporting.

JESTIR creates a single unique reference number for every structure in the state thereby eliminating the previous situation where structures had three different building numbers. To create JESTIR, the three agencies each looked at their existing inventory systems and decided which data elements should be carried over into a new joint system and which components could be discarded. The group then identified data elements which were not being collected but were considered worth compiling.

Written in Microsoft Access, JESTIR provides agencies a series of on-screen forms to input and maintain basic structure data. JESTIR has been distributed and training provided to all agencies which have custody and control of state owned structures. Agencies are required to transmit its updated information on a quarterly basis to OPM which will in turn transmit it to DPW and the comptroller's office. The first quarterly report was prepared in April 2001.

OPM has taken primary responsibility for maintaining the JESTIR system. It will send reminder letters to agencies regarding data submission and transmit updated information to DPW and the comptroller's office. The comptroller's office in turn will assist OPM in policing the agencies to ensure they report data in a timely and accurate fashion. DPW will provide administrative support as needed.

JESTIR is still in its developmental stages and at this time does not include information regarding parcels of land that do not contain structures. It also does not include information relating to lease space. Once it is completely operational, JESTIR will be integrated with the ongoing Joint Core Replacement project which will tie it to the state's financial management and accounting system.

State-Owned Land

At the end of FY 00, the State of Connecticut owned 242,790 acres of land comprising 7.57 percent of the overall 5,009 square miles (3,205,760 acres) contained within the state's boundaries.[5] A breakdown of real estate holdings by state agency is presented in Table V-1.

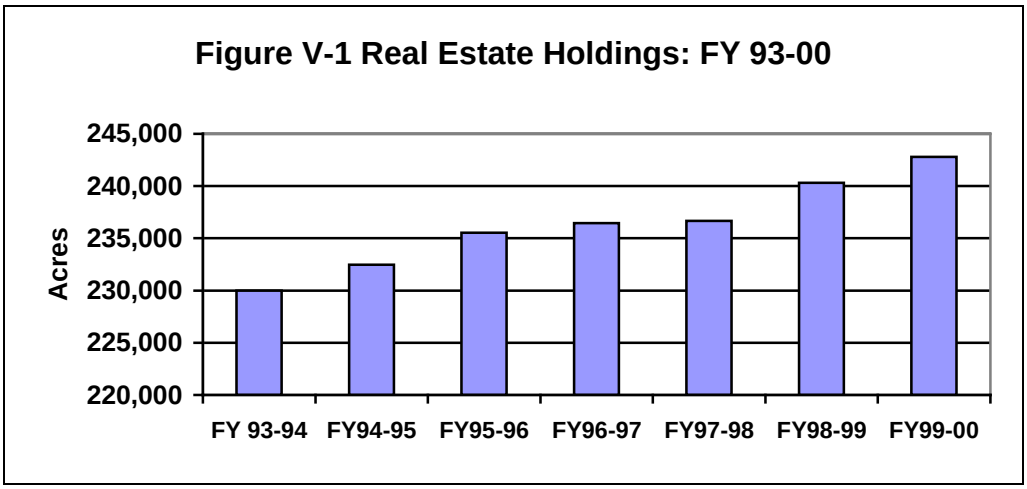
As the table shows, the Department of Environmental Protection (DEP) maintains the majority of the land owned by the state. Representing 90 percent of the total real estate, DEP land holdings including state parks, forests, recreation facilities, and other open space total 219,500 acres. Higher education facilities represent the second largest holdings with 6,321 acres.

Table V-1. State Land by Agency FY99-00

Custodial Agency	Acres
Environmental Protection	219,500 (90%)
Higher Education Facilities	6,321 (3%)
Transportation	5,086 (2%)
Corrections	2,863 (1%)
Military	2,489 (1%)
Mental Retardation	2,020 (.8%)
Mental Health and Addiction Services	1,749 (.7%)
All Other State Agencies	2,765 (1%)
Total	**242,790**

The amount of land owned by the state has gradually increased over time as illustrated in Figure V-1. Since FY93, land holdings have increased by 5.5 percent or 12,795 acres. The increase has been primarily due to DEP land acquisitions.

[5] This does not include land within state highways and rail rights-of-way which are under the custody of the Department of Transportation.



State Owned Buildings

At the end of FY00, the state owned an aggregrate floor area of 50,964,596 square feet in approximately 3,600 buildings. The pie chart in Figure V-2 illustrates the distribution of floor space by state agency. As the pie chart shows, higher education facilities including the University of Connecticut (UCONN), the state university system (CSU), and community technical colleges (CTC) made up the largest single category of building space with a total of 17,970,847 gross square feet or 35 percent.

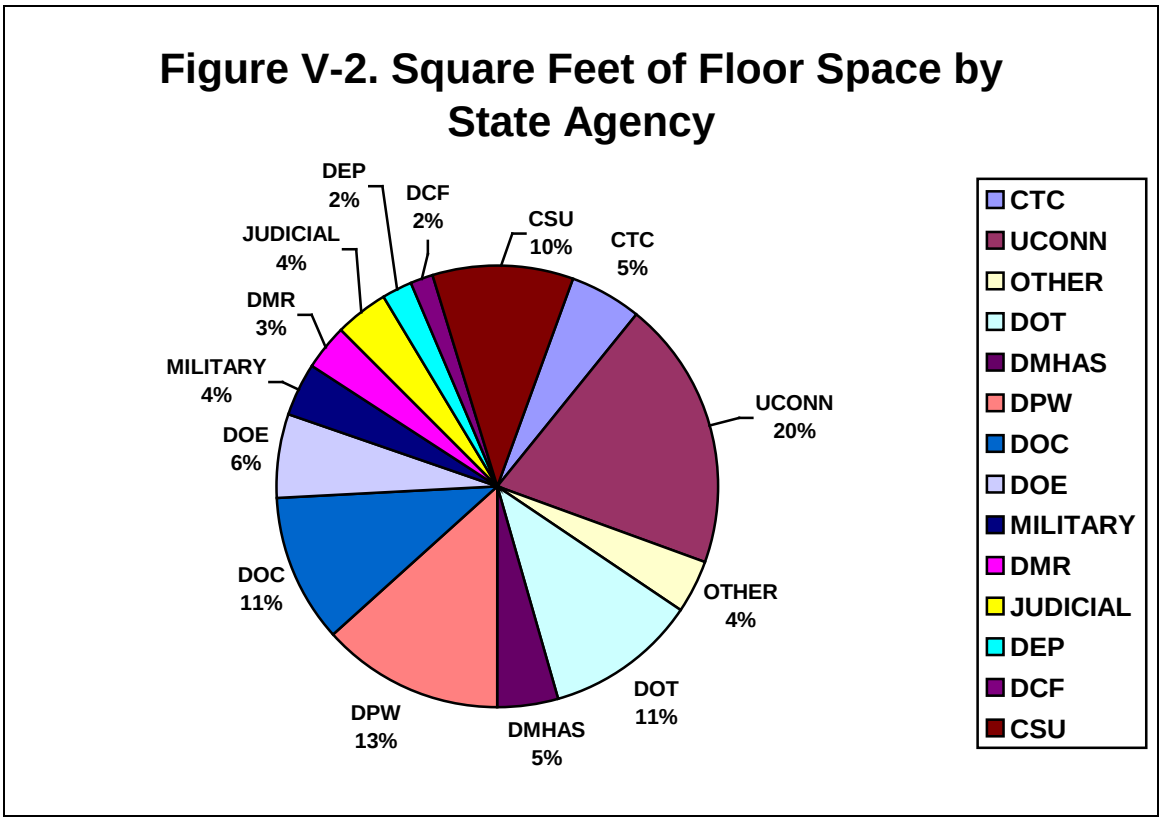
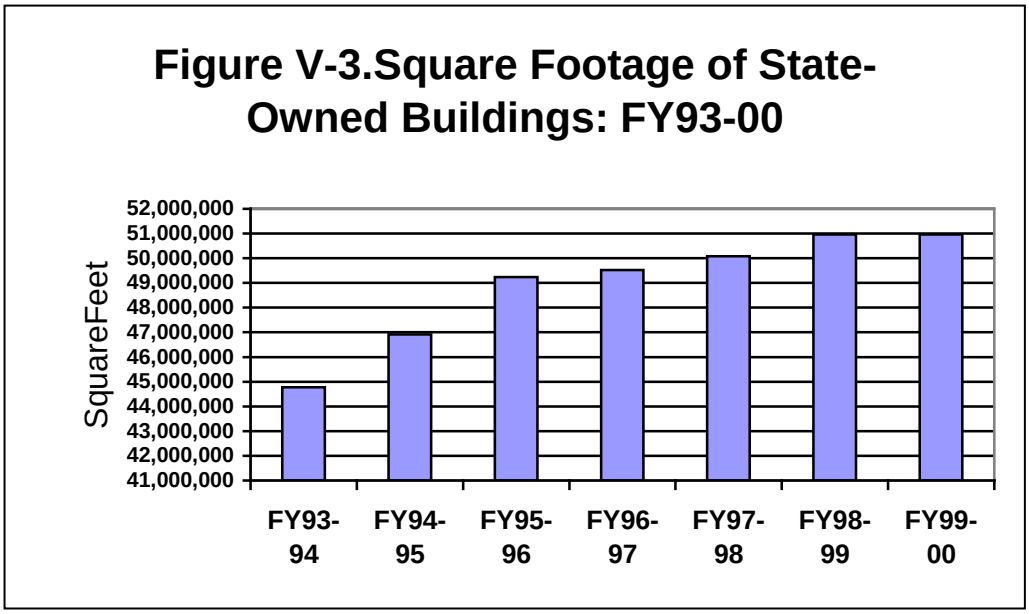
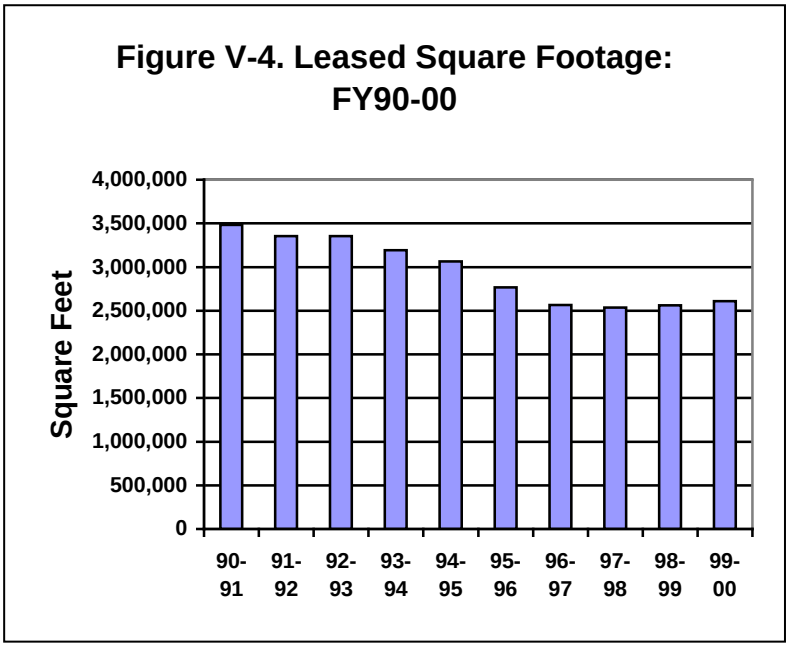


Figure V-3 charts the total amount of building floor space owned by the state during FYs 93-00. As the graph shows, the amount of floor space has also increased during this time period. In FY93, the state owned close to 45 million square feet of floor space. By the end of FY00, the total amount had increased almost 14 percent to 50,964,596 square feet. Higher education buildings, correctional facilities, and property acquired by DPW account for most of the growth during this time.



Leased Space

Figure V-4, V-5, and V-6 illustrate the trends in the total amount and annual cost of leased space over the past several years. As Figure V-4 shows, the amount of leased floor space has lowered by 874,991 square feet or 25 percent since FY90. At the same time, seen in Figures V-5 and V-6, annual leasing costs have decreased by 12 percent with the average rate per square foot rising from $10.50 to $12.30.



As of June 29, 2001 DPW had 204 active leases consisting of a total of 2,607,345 square feet of space with an annual lease cost of $34,954,477. The leases are catergorized for various uses including offices, courtrooms, classrooms, parking, and other non-building uses.

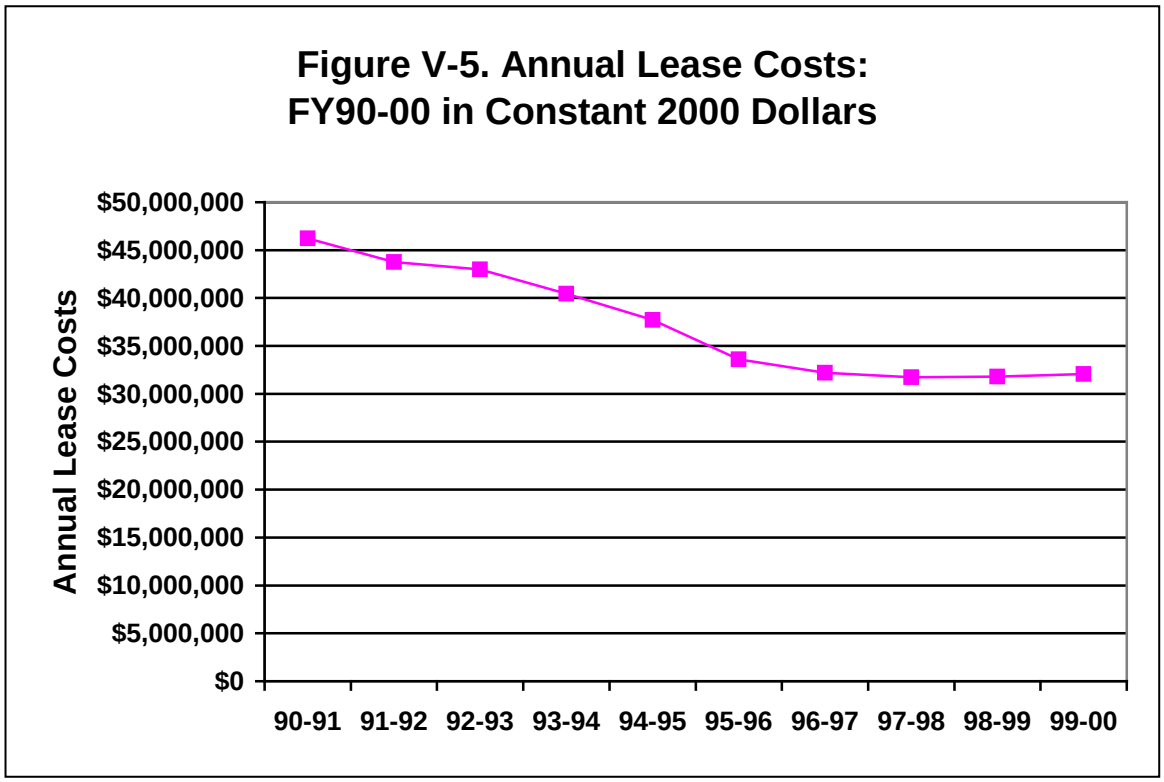


Figure V-5. Annual Lease Costs:
FY90-00 in Constant 2000 Dollars
Annual Lease Costs
$50,000,000
$45,000,000
$40,000,000
$35,000,000
$30,000,000
$25,000,000
$20,000,000
$15,000,000
$10,000,000
$5,000,000
$0
90-91
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96-97
97-98
98-99
99-00

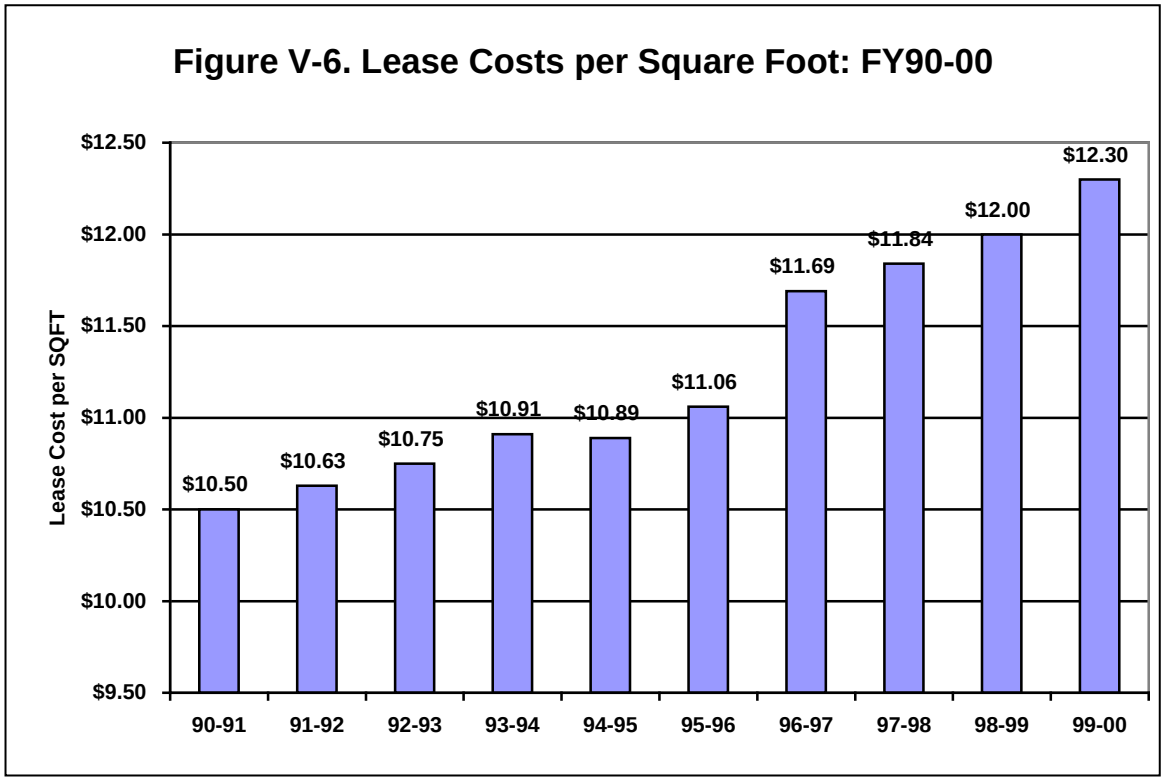


Figure V-6. Lease Costs per Square Foot: FY90-00
Lease Cost per SQFT
$12.50
$12.00
$11.50
$11.00
$10.50
$10.00
$9.50
$10.50
$10.63
$10.75
$10.91
$10.89
$11.06
$11.69
$11.84
$12.00
$12.30
90-91
91-92
92-93
93-94
94-95
95-96
96-97
97-98
98-99
99-00

Chapter VI

Survey Results

As part of its study, the committee conducted a survey of the 30 state agencies using DPW for leasing and space acquisition. The purpose of the survey was to obtain the agencies perspective, opinion, and experience with the state's space acquisition process. The survey attempted to discover how responsibility for individual leases was assigned within various agencies. It also sought to assess the effectiveness of DPW, the usefulness of the statewide facility plan (FACCAP) for space planning, and agency experience with the emergency certification process. Completed surveys were received from 29 agencies representing a 97 percent response rate. A copy of the questionnaire with a tabulation of the responses are found in Appendix G.

Ninety percent of the agencies that responded to the question indicated there was a single person responsible for leases in their agency. Most were fiscal or administrative officers with a small number of engineers. Sixty-three percent of those responding stated that they reported directly to an agency head or deputy.

Agencies generally rated DPW favorably in terms of how well the department assisted them in acquiring space. Overall, 72 percent rated their working relationship with the department as "good" or "excellent". These ratings dropped to 53 percent when asked about the clarity of the department's policies.

Most of the respondents rated DPW favorably in terms of its ability to find suitable facility options, evaluating advantages and disadvantages of potential sites, and resolving problems with the lessor after the lease is signed. However, ratings were more diverse in the areas of providing technical support to determine space needs, negotiating favorable lease terms, and drafting lease proposals. In each of these three categories, the department received mostly favorable responses although there were slightly more responses rating DPW at the extreme ends of the scale. The department was rated most unfavorably in the timeliness of its process. Thirty-three percent rated DPW "poor" in this area.

In addition to ratings, many of the agencies submitted written comments. The most frequent issue mentioned was the length of the process. Almost all of the agencies with comments stated the process is too long. Among the reasons they attributed to the length were: duplication in process; no established turn around times; delays due to incomplete lease packages; lost or misplaced documents; too many corrections needed; and too many requests for clarification.

Statements were also made concerning oversight of the process including: too many players involved; no single point of reporting, accountability, or supervision; and no tracking mechanism in place. In addition, observations were made regarding staff performance. A few agencies noted that the DPW staff managed smaller routine leases fairly well but seemed to lack of the resources and experience to handle larger or complex projects. Similarly, a few agencies

noted DPW handled lease compliance issues well if it involved small leases but not as well for larger problems or issues.

Space-planning. The committee also asked the agencies to describe the methods used to determine space needs for the statewide facility plan (FACCAP). Most of the agencies stated they base their needs on the space standards analysis required by the state as described in Chapter II of this report. Several mentioned reviewing client populations, demographics, and changes in the availability of public transportation. Others noted input from their regional offices and branches. A few agencies with special requirements such as a library indicated they also use available industry standards. Although most of the agencies responding felt FACCAP is a good indicator of agencies' future space needs, several had comments about the plan and its development process. Among the statements made:

- "good as a gross planning tool but excessively cumbersome";
- "no mechanism for updating – implementation data is a year old";
- "more of a budget document rather than a planning document"; and
- "problematic if a new program is created or court-order mandates do not allow for time to plan for expansion" .

Emergency certifications. Another area the committee wished to explore was the use of emergency certifications. Fifty-two percent of the agencies responding indicated they had applied to OPM for emergency certification within the last five years. As noted earlier, none were denied. The most common suggested change regarding the process was that it's turnaround time should be shorter.

Chapter VII

Facility Planning

Before the space acquisition process can begin, a state agency must obtain authorization. The authorization is granted in two parts. An agency receives its first authorization through the inclusion of its space needs in the Statewide Facility and Capital Plan (FACCAP). The second authorization is obtained when the actual request is submitted to be processed. If the actual request does not reflect what is in FACCAP, the requesting agency must seek emergency certification. The following discussion sets out the process for each authorization phase and its effects on the subsequent space acquisition process.

FACCAP. Published biennially, FACCAP identifies the facility needs of state agencies and how those needs will be met over a five-year period. The Office of Policy and Management (OPM) is responsible for the overall plan preparation. Every year each state agency must determine its space needs based on its program plans and transmits them to OPM. OPM staff reviews the information for consistency with the agency's programs and fiscal resources. It then makes recommendations based on anticipated staffing and program levels at each agency. The recommendations or "pre-authorizations" are integrated into a unified plan. The plan is used as a budgetary guide in processing the actual space request.

Requests for space. After the facility plan has been developed and finalized by OPM, actual requests for space are initially handled by a staff member within DPW's Process Management unit. Once the agency submits its request, the DPW staff person is responsible for reviewing the space request's conformance to FACCAP and checking the state's inventory to determine if there is suitable and available space in state-owned facilities.

If an agency makes a request for space not approved in FACCAP, DPW obtains supporting documentation from the agency, re-evaluates the request for space specifications, and forwards the request to OPM for review and approval through the emergency certification process outlined in statute.

Emergency certification. Any requests for facilities or space not included in the state facility plan must be submitted to OPM. In addition to outlining the justification for its request, the agency must also explain why the request was not previously submitted as part of the facility plan. If the request was previously submitted but not included in the facility plan, the agency must submit sufficient new information to warrant reconsideration. OPM may also require agencies to submit any other information it views as relevant. As part of its review, OPM's Asset Management staff also checks the state-owned facility inventory for suitable and available space. Based on this information, OPM determines whether the request is of an emergency nature or has the potential to seriously hinder the efficient operation of the state.

In addition to items not included in the facility plan, OPM must also be notified of any requests for space exceeding the square footage amount or the cost levels in the approved state facility plan by 10 percent or more. The OPM budget analyst assigned to the agency indicates if money is available and verifies the number of staff that will occupy the space. The request is

then sent to the Secretary of OPM for final decision. OPM approval must occur before the space acquisition process may continue.

Between January 1, 1999, and July 20, 2001, OPM received 47 emergency certification requests (ECRs). According to OPM, all but one has been approved. Table VII-1 breaks down the ECRs by agency and reason for request.

Table VII-1. Emergency Certification Requests by Agency: 1999 - July 20, 2001*

	1999			2000			2001*		
Agency	**New**	**>10%**	**Total**	**New**	**>10%**	**Total**	**New**	**>10%**	**Total**
JUDICIAL	2	2	4	3	4	7	2	2	4
DCF	2	2	4		1	1		2	2
DMHAS	1	1	2		1	1			-
PAROLE			-	1	2	3			-
DOC		1	1		1	1			-
DMR	1		1			-	1		1
DSS			-	1	1	2			-
CSU			-			-	2		2
VETERAN			-	1	1	2			-
DOIT	1		1			-	1		1
AG	1		1			-			-
ST.LIBRARY		1	1			-			-
ST.ATTORNEY	1		1			-			-
LABOR	1		1			-			-
DEP	1		1			-			-
CHARTER OAK			-	1		1			-
MILITARY			-	1		1			-
TOTAL	11	7	18	8	11	19	6	4	10

Source: OPM

In 1999 and 2000, OPM received a total of 18 and 19 ECRs respectively. During the first seven months of 2001, 10 additional ECRs had been submitted for OPM's approval. Committee analysis suggests approximately 30 percent of DPW space requests require emergency certification. As stated earlier, an ECR is submitted for one of two reasons: it is a new request not previously contained the FACCAP or is more than 10 percent over the projected FACCAP need. As the table shows, the number of requests by reason has been somewhat split since 1999.

ECRs processing times. OPM began tracking its internal turnaround times for ECRs in January 2000. OPM's processing times for ECRs received since tracking was initiated averaged 22 days with a range of seven to 52 days.

From its DPW casefile sample, the program review committee was able to calculate ECR processing times to include DPW's handling of the request. The median amount of time from when an agency submitted a request to DPW until OPM gave its final ECR approval was 111 days or almost four months. Assuming OPM's internal processing time of 22 days, DPW's handling of ECRs is approximately three months.

Examination of DPW's responsibilities regarding ECRs suggests duplication of effort. Upon receiving the request, DPW checks conformance with FACCAP and checks the state's

inventory of owned property. These steps are then repeated once the request is submitted to OPM for approval. As stated earlier, DPW will ask client agencies to submit new supporting documentation when requests do not conform with FACCAP. The majority of DPW's processing time appears to be spent waiting for additional information from the client agency. This information is then forwarded to OPM. As such, the committee concludes:

- *DPW's Process Management unit acts primarily as a medium through which the client agency conveys information to OPM.*

The ECR process is essentially a mechanism by which to reconcile any difference between the projected need laid out in FACCAP and actual need. The committee believes OPM should be the sole administrator for this function for three reasons:

1) OPM reviews the agencies' original FACCAP requests and is in a better position in which to request additional supporting information and documentation.
2) OPM has taken primary responsibility for maintaining the state's real estate inventory system. As such, OPM has the most complete and up-to-date information relating to space availability in state-owned properties.
3) Eliminating DPW's role in this phase should reduce processing time for requests.

Therefore, the program review committee recommends:

State agencies deal directly with OPM in requesting space. Once OPM has granted its approval, the request should be forwarded to DPW to continue the space acquisition process.

Determining Agency Space Needs

The committee analysis indicated approximately 30 percent of the space acquisition requests require emergency certification. Changes in program, staffing, and budget levels as well as availability of suitable space appear to be the two main reasons ECRs are sought.

Space standards. It is each agency's responsibility to estimate its space requirements, secure funding for its needs, and notify OPM and DPW of its intent to renew, relocate, or in any way modify its current space status. Space requirements including the amount of space, location, and any required special features are primarily developed by the agencies. In 1991, DPW developed a space standards manual intended to formally establish guidelines to determine the amounts of space needed by state agencies. The manual serves as the state's principal reference for determining the amount of assignable floor area needed for personnel, equipment, and support functions. The guidelines are used by state agencies in forecasting and calculating space necessary to fulfill their missions.

The manual's standards and techniques are based on definitions and space assignment criteria generally accepted by the private and public sectors during the late 80s and early 90s. Interviews with various agency personnel revealed consensus regarding the need to update the standards to conform with current industry guidelines and account for special space requirements for certain agencies. Therefore, the committee recommends:

DPW evaluate the state's space standards guidelines and update the space standards manual by January 1, 2003.

Lease vs. buy/build. The statutes make reference to feasibility studies conducted by DPW for leases over five years. Specifically, DPW's policy manual states lease proposals for a term of more than five years should include a feasibility study determining whether the extended lease term is the state's best alternative. However, discussions with agency personnel and a review of the casefiles suggest limitations to this mandate.

While the statutes authorize the DPW commissioner to order a feasibility study when he or she deems it practicable, both the State Properties Review Board and OPM have requested DPW conduct the studies on occasion. In addition, the studies have been prepared by various parties including the individual leasing agents, the leasing agent supervisor, the client agency, and in at least one instance by the SPRB. Furthermore, feasibility studies are done for a proposal containing a lease term of more than five years but no analysis is done to determine whether an agency should continue to lease when cumulative lease terms total more than five years.

The committee's review of casefiles did note instances where the SPRB raised the question whether continued leasing should be pursued. However, this consideration appears at the end of the acquisition process when much time and effort have already been spent in developing the lease proposal.

In summary, the committee finds:

- *Responsibility for evaluating whether leasing was the best way to meet a space need was not clearly defined.*

- *Currently, there is no formal process to produce a feasibility study for leases.*

- *Since the lease/buy/build decision point has not been clearly defined, agency proposals for leasing may move forward without formal consideration of alternatives.*

- *Projections from program review's casefile sample suggest more the 60 percent of the agencies have been in the same leased facility more than five years. Approximately 20 percent have been located in the same space for ten or more years.*

The committee believes a formal assessment of alternatives should be made when a state agency has leased the same property for more than 10 years. This assessment should made as part of the planning process and outside of the client agency. State agencies may not have the staff expertise to evaluate alternatives to leasing. Even if agencies realize that leasing is inappropriate, they may continue to lease because it is easier than expending agency effort to develop a plan for relocation.

The state through FACCAP has established a number of goals and implementing policies to be considered whenever space utilization and space management decisions are made. Among the FACCAP's stated goals is the reduction of dependency on leased facilities. To achieve this goal, the state's policy has been to discontinue leases where feasible, limit the use of leased space to interim needs, and replace leases with state-owned facilities as soon as it is economically feasible.

Therefore, the committee believes the decision to lease/buy/build should be incorporated into the state's five year FACCAP plan. As such, the agency best suited to assess this decision is OPM. OPM already makes lease recommendations and grants purchase approvals based upon anticipated budget resources. It is in the best position to determine whether the state should and could pursue lease alternatives. The committee recommends:

OPM analyze FACCAP lease requests to determine if buying or constructing a facility would be an economical alternative to leasing. Whenever necessary, OPM may order a feasibility study be completed by DPW. The findings of OPM's analysis shall be included in FACCAP along with the number of years the specific space need has been met through leasing.

The committee believes OPM would need an additional staff person in their Asset Management unit to conduct this function. This additional person will coordinate the FACCAP requests, ECRs, and actual request for space.

DPW Processing of Request for Space

A key component of the space acquisition planning process is efficient decision-making. Agencies must determine what course of action they wish to pursue and DPW must be prepared to carry it out.

Expiration notices. According to DPW's policy manual and interviews with DPW staff, every month DPW identifies which agency leases will be expiring or contain a lease option to be executed within the next 18 months. Expiration notices are mailed requesting the client agency confirm the continued need for the existing lease or submit a request for new or additional space.

According to DPW staff, client agencies are typically given one month to respond. If an agency does not respond, a follow-up notice is sent. The advance notice gives agencies time to make choices accordingly and presumably facilitates the space acquisition process.

Committee analysis of 34 lease files found:

- *only two instances where the 18 month advance notice was actually done;*
- *in 44 percent of the sample an expiration notice was not found;*
- *thirty-eight percent or 13 files had expiration notices sent approximately 12 months prior to lease expiration; and*
- *four cases or (12%) where the notice was sent only 90 days in advance.*

Agency response to expiration notice. There is no written policy as to how much time agencies have in which to respond to DPW's expiration notice. Committee analysis found:

- *the response time ranged from 30 days (when notified by DPW 90 days in advance) to 9 months (when given 18 months advance notice);*
- *the median agency response time was six months before the lease expired; and*
- *none of the files in the case sample had evidence of any follow-up by DPW.*

DPW approval of agency request. The request form provides information about the number of personnel to be located in leased space, number of parking spaces needed, and any special requirements an agency might have (e.g. conference rooms, hearing rooms, labs). Once received, the forms are handled by Process Management to verify whether the space requested by the agency has been included in the state's current FACCAP. If it has not been included, the requesting agency must ask OPM to certify there is an emergency need. DPW is also supposed to indicate whether existing state-owned or leased space is available to meet agency's needs. The case sample indicated DPW took a median of 99 days or slightly more than three months to approve the request for space.[6]

Conclusions. The absence of advance expiration notices in the files does not necessarily mean notices were not sent. However, it does raise the issue of a lack of consistent documentation and poor tracking in DPW's Process Management unit. In reviewing the casefiles, the committee noted instances where the client agency claimed to have submitted the request to Process Management multiple times and in at least one occasion where the space request was processed for the wrong location. In addition, delays in request processing were mentioned by other agency staff as one reason leases are forced to enter holdover status[7]. (This issue is further discussed in Chapter VIII.)

Based on its casefile observations and the duplicative nature of the initial phase of the request for space process, the committee recommends:

OPM assume all responsibilities for initially processing request for space including the dispatching of advance expiration notices. OPM shall establish and monitor turn around times for notices.

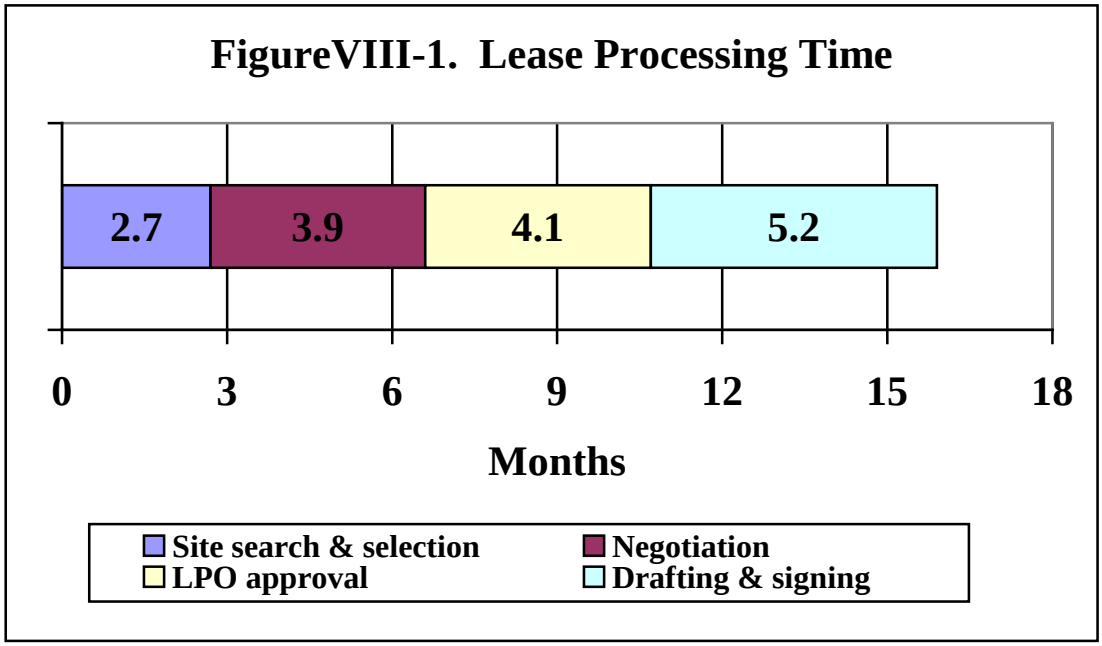
Once the agencies receive authorization from OPM for their space needs, the request may be submitted to DPW to continue the acquisition process.

[6] This does not include the processing of ECRs previously discussed.
[7] A holdover occurs when a lease expires and the occupying agency remains at the location, the tenancy becomes month to month usually at the same terms and conditions.

Review of Sample Leases

The program review committee analyzed a randomly selected sample of 34 leases to calculate processing times and to examine the operation of controls over the process. Documents in the leasing unit's files were examined as well as the records of the State Properties Review Board and the Office of Policy and Management.

Processing times. The leasing process was divided into four phases to facilitate the analysis. The phases include: site search and selection; negotiations; approval of terms; and drafting and signing of lease. Elapsed times for the four phases are presented in Figure VIII-1.



As Figure VIII-1 shows, the largest amount of time (5.2 months) is spent in the last phase - the actual drafting and signing of the lease. The least amount of time is used at the beginning of the process when agents are searching for available sites. Negotiations and approval of terms appears to involve approximately the same amount of time.

Based on the sample, the median total processing time from the date on which a request for space was received by the leasing unit until the date on which the final lease was executed was 16 months. This average does not include seven cases where an option to renew the prior lease was exercised. These cases, which do not require negotiation of terms or drafting and signing of a new lease, had an average total processing time of 9 months.

A previous program review study of the state space acquisition function conducted in 1986 discovered similar processing times. The 1986 study found the average total processing time for leases was 15.5 months and the processing of options to renew was 5.4 months.

Although staffing and some procedural steps have changed since that review, the committee believes many of the factors contributing to lengthy lease transactions remain the same. A discussion of these factors and issues raised by the case file review is provided below.

Leasing procedures. The procedural steps in a lease transaction are based on statutes, DPW leasing manual, and interviews with agency personnel. During its review the committee found:

- *neither the relevant statutes or manual have established turnaround times for any of the steps;*
- *DPW has never promulgated regulations specifying how it will carry out their responsibilities in the leasing process; and*
- *DPW's leasing manual, last issued in 1986, is outdated and refers to staff functions for positions no longer filled.*

Therefore, the committee recommends:

DPW update its leasing manual to accurately reflect the agency's current policies and procedures. DPW should develop specific time standards for the various procedural steps within each phase of the lease process and promulgate regulations accordingly.

Tracking system. An administrative assistant maintains an informal status log listing the physical location of lease proposal outlines (LPOs) or lease. However, formal analysis is not done to determine how long it has been at that location or phase. On occasion, the leasing supervisor will consult the log to check which proposals should be returning to the unit from other locations, but the supervisor indicated she is more likely to simply ask the leasing agent.

Each month leasing agents prepare an activity report to provide a chronological log of transaction progress. Originally, these reports were intended to help track processing time but the methodology did not work well and recording by agents was deemed to be burdensome. Currently, the report is used by the supervisor as a resource for when an agent is out of the office or on vacation. An examination of the reports indicated they were inconsistently maintained by agents and varied in quality. For example, some of the reports include much detailed discussion of the lease progress while others simply note "Negotiations in progress" without any substance to the progress made or anticipated.

Based on this review the committee finds:

- *documentation of the leasing process is too inconsistent to allow management to monitor the progress of leases; and*
- *closer supervision of the leasing agents is needed to ensure leases are processed in a timely manner.*

Therefore, the program review committee makes the following recommendations:

- **DPW redesign and integrate the current lease tracking instruments into a system that includes lease status reporting for all property agents and measures adherence to standards established for all critical points in the process.**

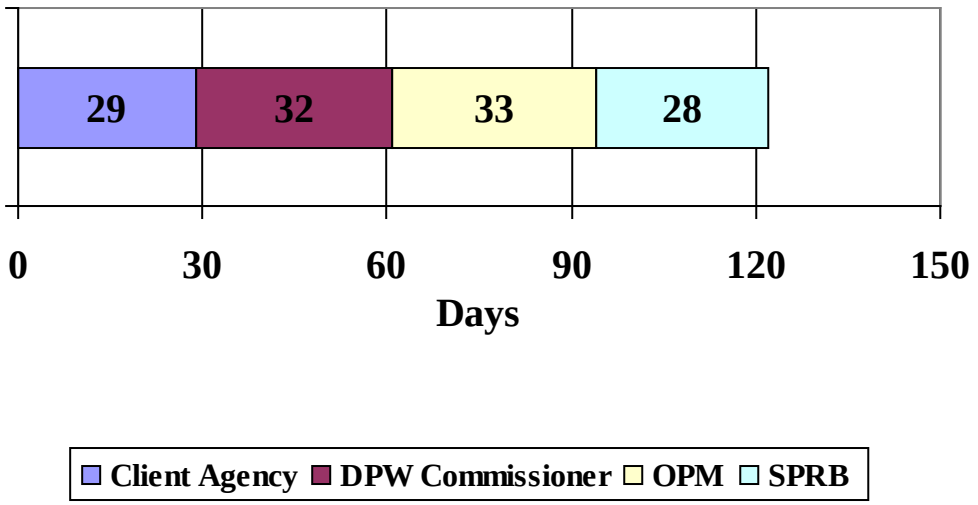
- **A monthly management report should be prepared to compare processing times to the standards. The report shall include documented explanations for all transactions not meeting the standards and what action is planned to get transactions back on schedule.**

Approval of terms. As shown in Figure VIII-1, one of the most time consuming portions of the lease process is the approval of the terms contained in the lease proposal outline (LPO). The LPO summarizes the principal terms of the agreement including rental rate, length of lease, square footage, purchase or renewal options, items included in facilities such as utilities or janitorial services, and the nature of any renovations.

The LPO, together with supporting documentation, provides the basis for State Properties Review Board decisions and the preliminary draft review for the attorney general's office. However, before the LPO is submitted to the board it must be approved by the client agency, the DPW commissioner, and the Office of Policy and Management.

Figure VIII-2 shows the LPO processing times by agency. As the figure illustrates, each agency takes about a month to approve the LPO.

Figure VIII-2. LPO Approval by Agency



Currently, OPM examines and signs off on all LPOs to ensure the cost or size does not exceed pre-authorized levels. This second approval is made after OPM has already authorized the request for space through the Statewide Facility Plan.

The program review committee finds:

- *OPM's second review of proposals that fall within pre-authorized levels is duplicative.*

Given OPM's proposed involvement in managing the request initially, the committee recommends **OPM's approval at this stage should only be for proposals exceeding preauthorized levels.**

It is the SPRB's responsibility to ensure the proposals contain terms and conditions favorable to the state and conform to state laws. The board, at its discretion, may make recommended changes to the proposal or ask for additional information. In the lease sample, the median processing time for proposals sent to the board was 28 days. The board requested additional information and made recommended changes to lease proposals before granting approval in 25 percent of the cases. Typically, DPW responded to the board request within two weeks. As such, the board's actual review time was 14 days.

The program review committee finds:

- *the amount of time added to the LPO review process by the State Properties Review Board is within reasonable limits.*

Scope of SPRB review. Although SPRB was not the focus of this study, the committee made several observations of their work through the case file review. The committee believes the board fulfills its function to ensure real estate transactions are properly developed and are sound from a business standpoint. Examples from the case files suggest SPRB frequently recommends changes to DPW proposals which result in better negotiations for the state. Memos and references in the SPRB files indicate it has even assisted DPW staff in some basic functions such as calculating rates. The committee acknowledges the benefit of SPRB involvement in transactions, however, it raises concerns whether SPRB is exceeding its scope of responsibilities by assisting in the performance of DPW functions.

The committee recommends:

DPW shall conduct a formal training needs assessment of all leasing and property agents including but not limited to their ability to conduct negotiations and evaluate alternatives. Training shall be provided as needed.

Drafting and signing of lease. Once the board has approved a proposal, it is returned to DPW where the leasing agent who prepared the proposal drafts the final lease for the assistant attorney general assigned to review DPW contracts and leases. A review of the lease sample

data indicates the median amount of time from when the LPO was approved by the SPRB until the Attorney General gave final approval was approximately five months.

A review of the leasing sample found formal requests for clarification and additional information by the attorney general's office in 25 percent of the cases.[8] Seven cases were sent back more than once. In some instances, the request for information or clarification was quite extensive. Among the reasons for return included technical error, incomplete documentation, or terms different than previously discussed.

The program review committee finds:

- *the need for formal communication between DPW leasing unit and the attorney general's office is high; and*

- *five months to execute a lease is excessive.*

This issue has already been acknowledged by the agencies. DPW, in conjunction with the attorney general's office and the SPRB, have been working on the implementation of a process checklist and the development of a new standardized lease contract. The new language is expected to be used for the majority of leases thereby expediting the process. A final draft of the standardized lease is anticipated by the end of this calendar year. In addition, DPW has recently placed a paralegal in its leasing unit to assist in the drafting and executing of leases.

The program review committee supports these initiatives and encourages DPW to continue to strengthen its quality control functions. However, to provide a goal for the agencies the program review committee recommends:

DPW and the attorney general's office finalize the standardized lease language by March 31, 2002.

Quality control and supervision. As mentioned earlier, DPW's leasing manual refers to staff functions for positions no longer filled. Among these vacant staff positions is the loss of a lease director and a quality control officer. These positions have been vacant since the mid-90s. Several of the responsibilities associated with these positions have been assumed by existing staff while others are not performed[9].

Recently, the DPW commissioner transferred responsibility of the leasing unit to the director of DPW's Facilities Management. However, as evidenced by program review's DPW study last year, facilities management responsibilities and operations are already quite extensive.

[8] This does not include communications made by telephone or in person.

[9] This finding was also noted in a recent report by the state auditors. The auditor's report noted three instances where an LPO approved by the SPRB was materially changed and resulted in the execution of a lease that contained terms that conflicted with the terms approved by the SPRB. The auditor's listed lack of quality control and outdated procedures manual as a contributing cause. *Auditors' Report Department of Public Works for the Fiscal Years Ended June 30, 1997 and 1998*

The committee believes the state's $30 million space acquisition function warrants a separate unit director. Therefore, the program review committee recommends:

DPW hire a director for its space acquisition function who will assume a quality control position. A formal quality control system shall be established to provide a review of all real estate transactions before they are sent outside the unit.

Lease Management. Once a lease has been signed and the client agency occupies the space, agencies are generally responsible for ensuring the lessor complies with lease terms regarding repairs and maintenance of the leased space. However, recurrent and unresolved problems are brought to the attention of the leasing unit, which until the late eighties included a lease compliance officer. As discussed earlier, leasing staff absorbed responsibilities previously conducted by functionally dedicated staff. Through its review of the leasing sample, interviews, and observations, the committee found:

- *lease compliance issues in 24 percent of the sample files;*
- *leasing agents spend a substantial amount of time attempting to resolve lease compliance items such as repairs, carpeting, painting, and parking;*
- *lease management received low rating in the program review survey of client agencies; and*
- *DPW appears to handle lease compliance issues well if it involved small leases but not as well for larger problems or issues.*

The committee believes the diffusion of responsibilities distracts from the agents' and supervisor's primary responsibility to locate and deliver leased space. In addition, the lease management function requires continued contact between leasing agents and lessors which does not promote the arms length distance which should be maintained for negotiation of future leases.

To ensure lessor compliance with lease terms and increase the amount of time available to leasing agents, the committee makes the following recommendations:

The lease management function shall be strengthened and removed from current leasing agents and instead a position be created to deal with these issues. The lease compliance officer will have primary responsibility for:

- **handling lease management issues raised by client agencies;**
- **conducting an annual inspection of leased property for conformance with terms of the lease; and**
- **providing an annual statewide compliance report based on their inspections to leasing agents, the SPRB, OPM, and the attorney general's office.**

Holdovers. Another issue evident in the case files is the number of holdover leases. At the time of the committee's review, 60 (29%) of the 204 active leases had terminated, leaving the occupying agency on holdover status. According to leasing staff, the standard holdover provision is if a lease expires without a renewal, the tenancy becomes month to month at the same terms or rates as the original lease. However, a few leases allow for a higher holdover rate. The committee was not able to determine how many of the total holdover leases include a higher holdover rate provision. In the leasing sample, five of the 34 leases were on holdover. However, an additional 10 leases in the sample had previously involved holdovers. None of the leases reviewed by the committee allowed higher holdover rates.

The committee's examination of the files found the median amount of time a lease carried holdover status was 1.4 years. However, one case in the committee's sample had a holdover in effect for almost four years[10].

Whether the number and amount of time a lease is on holdover is a concern is debatable. Given that the standard provision for holdovers is to remain at the existing rate, it may be argued that the state benefits from not having to pay a higher new rate. However, being placed on a month to month tenancy does expose the state to being evicted at any time. Among the reasons leasing staff contends holdovers occur are client agency indecision or delays regarding relocation and late or delayed processing of request for space. (This issue was discussed in Chapter VII.)

In addition to indecision and delays, the committee believes insufficient tracking, workload variations, and diffusion of primary responsibilities may also contribute to the high number of holdovers. The committee believes holdovers should be significantly reduced and recommends:

DPW develop tools to flag potential lease renewals and establish a system to monitor the number of month to month leases that includes the length of time and reason a lease has been in holdover status.

Competitive bids. Competitive bids are a critical aspect of real estate transactions that can serve as the state's price control. Limited competition provides potential bidders and existing landlords a better bargaining position to negotiate for terms and conditions in their best interest.

Committee review of the case files found DPW invitations to bid do not generate many proposals. DPW had only one or two responsive offers to consider in the majority of leases examined by the committee. At the same time, the program review committee also noted instances where the client agency refused to consider site alternatives and where the client agency's desire to remain in the location was well known hindering negotiations by giving the existing landlord a stronger bargaining stance.

[10] Discussion with the leasing staff suggests the lease involved an uncooperative owner and lack of alternative sites. The committee found little documentation regarding these issues in the file.

The committee recommends:

- **DPW annually remind client agencies through written notice or other formal means that existing state law prohibits disclosure of state real estate needs or interests with outside parties; and**

- **DPW increase client agency awareness that even casual routine communications with owners can weaken the state's negotiating power.**

Another recent DPW initiative has been to allow private real estate representatives the opportunity to conduct presentations to the leasing unit. The purpose of the presentations is to increase staff awareness of overall market conditions, vacancy rates, and upcoming construction developments. The program review committee recommends:

DPW formalize this initiative and offer additional real estate industry representatives similar opportunities.

Chapter IX

Review of Sample Acquisitions & Sales

To evaluate the property disposition and acquisition process, the program review committee examined 10 of the 12 sales transactions and all eight purchases conducted by DPW since 1998. In addition to DPW files, the committee also consulted files at OPM and SPRB to establish a more comprehensive database. The following chapter provides analysis and a discussion of issues raised by the committee's review.

Property Disposition

The sales price for the 10 transactions examined by the committee ranged from $1 to approximately $2 million. Five of the 10 transactions were the result of legislative acts. The properties were sold to a combination of municipalities and private developers.

Processing times. The committee divided the disposition process into three phases to facilitate analysis: property declared surplus to state's needs; offer to towns and public bid; and approval of terms. A general description of each phase was provided in the briefing paper issued October 2, 2001. The elapsed time for each phase is presented in Figure IX- 1.

Figure IX-1. Median Processing Time in Months by Dispositional Phase.

Committee analysis found the total amount of time for the state to dispose of property ranged from eight months to 3.4 years. The median disposition time was slightly more than a year and half. The largest percentage of time is spent in the offer and negotiation process with interested parties. Once an agreement is made, the state's approval process usually takes about two months.

Declaring surplus property. All state agencies, departments, or institutions must notify the secretary of OPM of any unneeded real property under its custody and control. Once an agency declares property surplus, OPM gives notice to all state agencies of its availability. The program review sample found the median amount of time between when property is declared surplus to when OPM sends notice to all other agencies was 19 days. However, in one instance notice to the agencies was sent almost a year later[11].

Any agency wishing to use the property may submit a plan to OPM within 90 days outlining its intended use, budget, and timetable. If no agency submits a proposal to use the property, DPW, in conjunction with OPM's Asset Management staff, is responsible for its disposition. Only one of the transactions reviewed by the committee was within the 90 day response time. Overall, state agencies typically took 3.5 months to respond to OPM's notice of the property's availability.

Appraisal. The surplus property's fair market value is determined by an independent appraisal. OPM will solicit environmental studies and survey to determine property boundaries and liabilities, if any. The committee found on average it took the state about seven months from when the property was declared surplus to get an appraisal.

Table IX-1 compares the appraised value and the actual sales price for all 10 properties in the sample. As the table illustrates, when the state sold its property on the public market it usually realized a profit. Three of the five sales to the public were made for more than 25 percent over the appraised value. One was for the appraised value. The remaining transaction was transferred by legislation to a nonprofit organization for $1.[12]

Of the sales to municipalities, only one property sold for the appraised value. The remaining four properties sold to municipalities for less than the appraised value or were conveyed via legislation for administrative costs or less.

Table IX-1. Sales Price of Properties Sold to Municipalities and Public.

Sales Price	To Town	To Public	Total
25% over appraised price	-	3	3
At appraised price	1	1	2
25% under appraised price	1	-	1
Administrative cost or less	3	1	4
Total	**5**	**5**	**10**

[11] The surplus property in this case included a Department of Public Safety (DPS) radio tower. According to OPM, significant amount of time was spent working with DPS to determine if the tower could be relocated, it could not.
[12] This Middletown property was transferred to a non-profit corporation for the development of moderate income housing and recreational or community facilities open to the public. (P.A. 96-249)

Offers to municipalities. As stated earlier, the longest part of the disposition process is the offer and negotiation process with interested parties. State law requires the municipality where the property is located must be offered the first opportunity to purchase. By statute, towns have 45 days to notify the state if they are interested in purchasing the property. The committee analysis found a wide range of response time from towns - from 20 to 377 days. The median amount of time for a municipality response was approximately five months.

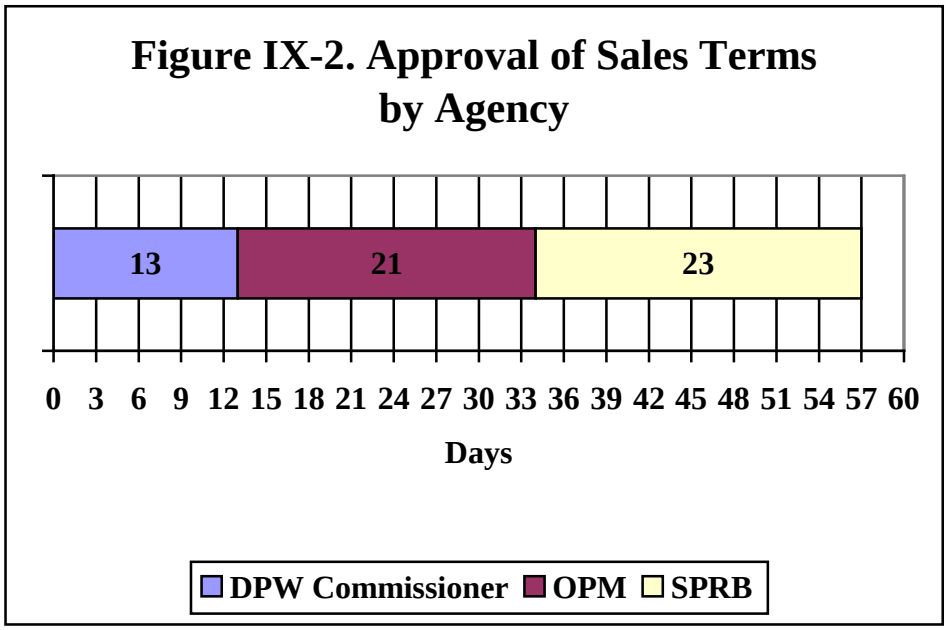
If the town has interest, OPM, together with DPW staff, will work with the municipality to complete the sale. State law dictates the sale transaction be completed within 60 days of notice provided the state and the municipality agree upon the conditions of the sale and the amount to be paid. None of the property sales to municipalities reviewed by the committee were completed within the 60 days. The committee found after a municipality decided to pursue the purchase, the median amount of time to complete the transaction was six months. Therefore, the total median time for the state to offer (five months) and sell (six months) property to a municipality was approximately 11 months.

Public bids. If the municipality is not interested in acquiring the parcel, DPW and OPM may proceed with the property disposition on the open market. The DPW property agent will prepare an advertisement soliciting bids and sets a date for bid opening. The case files examined by the program review committee found advertisements to place the property in the open market usually occurred 70 days after the town had declined the first opportunity to purchase. Advertisements were placed in one to three newspapers soliciting between one to three proposals each. Proponents were selected approximately 30 days after advertisements occurred. The committee found the total median time for the state to offer and sell property on the open market was approximately four months.

Approval of terms. Once the parties reach agreement, the DPW property agent prepares a package of information which includes the appraisal report, copies of bid documents showing bid price, and any other related materials. The package must be reviewed and approved by the DPW commissioner, the OPM secretary, and the SPRB. Figure IX-2 illustrates the median amount of time for the approvals to be obtained from the required agencies is approximately two months.

The SPRB, at its discretion, may request additional information before making its decision. In the files examined by the committee, DPW typically responded to SPRB inquiries within 10 days. As mentioned in Chapter VIII, the SPRB tracks its own processing times to reflect the board's actual review time. Taking into account when proposals are sent back to DPW for further information, the committee found that SPRB's approval process is decreased from 23 to 13 days.

Once the package is approved by all parties, the legislature's Finance, Revenue and Bonding and Government Administration and Elections Committees receive a copy of sale transaction. The committees have 15 days after receipt to approve or disapprove the transaction. The committees may not change any terms or conditions of the transaction. If the committees do not act within that time frame, the transaction is considered approved. The bid proposal is then submitted to the attorney general's office for final legal review. The program review committee did not find legislative signatures in three sales transactions where they appeared to be required.



Findings. The committee findings and conclusions of the state's disposition processing times are summarized below:

- *The disposition process is complex and time consuming.* In none of the cases reviewed did the sales transaction fall within the 6.5 month time frame suggested in the statutes.

- *The determination whether property is surplus to the state's needs takes time.* State agencies typically took 3.5 months to respond to OPM's notice of the property's availability. Only one response was within the 90 day statutory requirement.

- *Municipalities may require more than the statutory 45 days to decide whether to purchase state property.* Only one case was found where the municipality notified the state within the statutory timeframe. The median time was approximately five months.

- *Property sales to municipalities are slow.* None of the property sales to towns was completed within the 60 days mentioned in statute. Once the decision is made to buy, sales to municipalities had a median processing time of six months compared to the four months typically taken by the public bidders.

Based on the review of DPW sales transactions, the committee concludes the length of the disposition process appears to be affected by several factors including the following:

- The state agencies' ability to determine whether the state has a continued need for property now or in future before declaring it surplus.

- The size, type, location, and condition of property may make it difficult to market or reuse. Some parcels cannot be converted for alternative use or may be too difficult or costly to convert.

- The statutory requirement the state offer the municipalities first opportunity to purchase prior to placing it on the open market subjects the property to local policies and procedures. The local government decision-making process can be lengthy. For example, although local zoning regulations do not apply to state-owned properties, if the property is sold it has to comply with local zoning restrictions.

Some of these obstacles are unavoidable, however, the committee also believes weak identification practices, outdated policies and procedures, and unrealistic statutory deadlines all contribute to a complex and lengthy disposition process. A discussion of these issues is provided below.

Identification of surplus property. Surplus property has been the subject of several audits and reports over the years. Some of the reports reviewed by the committee during this study which specifically address the issue of state-owned surplus property include the 1991 *Thomas Commission Report (Commission to Study the Management and Efficiency of State Government)* and two recent reports issued by the state auditors.[13] The reports pointed out several areas in which the state's management of surplus property was in need of improvement. While some efforts to address concerns raised by the reports have been made, many of the basic management and policy issues identified in these reports appear to still exist.

Similar to the program review findings, the previous reports found the procedures for disposition of surplus real property to be both complex and time consuming. Among the contributing factors cited were a lack of standards or criteria to identify surplus property and a need for long range planning beyond five years.

Existing statutory language is silent as to how each state agency will determine when property is surplus to its needs. Each agency may use its own criteria. Since no standards or guidelines exists, properties can sit idle for long periods of time. Slow identification of excess property may lead to neglect and deterioration which could increase costs if the state decides to reuse the property or decrease the value if property is to be sold. Therefore, the auditor's report recommended the state develop standards and criteria for defining surplus and marginal use property and improve its long range planning.[14] The program review committee concurs with

[13] Performance Audit Reports *Management of State's Surplus Real Property* and *The State's Real Property Management Systems*. Auditors of Public Account. November 1999.
[14] The state auditors are currently in the process of follow-up compliance of their 1999 report.

these recommendations. Better and earlier identification of surplus property will assist in the state's planning and strategizing of how to best dispose unused property and may provide municipalities advance notice of possible availability.

Statutory time frames. As previously discussed, there are three statutory timeframes related to the state's disposition process:

1) State agencies have 90 days to submit plans to OPM for reuse of available surplus property. (C.G.S. § 4b-21(b))
2) Municipalities have 45 days to give written notice of its desire to purchase state property. (C.G.S.§ 3-14b (a))
3) The sale to a municipality must be completed within 60 days of the town's written notice of interest. (C.G.S. § 3-14b (c))

As noted above, committee analysis of sales transactions reveals these timeframes are not met. Discussions with various agency personnel suggest these statutory time frames are not realistic given the work and negotiations involved in these transactions. Agency personnel contend the spirit, if not the letter, of the law is followed which is to say that reasonable efforts are made to ensure state agencies and municipalities have ample opportunity to make their decisions. Therefore, the committee recommends:

The existing statutory deadlines be eliminated and be replaced with realistic and reasonable guidelines developed by OPM. The guidelines should be established no later than September 1, 2002.

Legislative action. Five of the 10 transactions reviewed by the committee were pursuant to legislative action. Information in the case files indicate at least two of the transactions occurred because the property did not generate public bids or experienced difficulty in obtaining other use zoning. The topic of property transferred by legislative action was also addressed in the 1991 Thomas Commission Report. The report expressed concern over the number of legislative property transfers to localities with the state receiving little or no compensation. This issue was recently examined by the state auditors who found many of the legislated transfers enacted between 1984 and 1998 did not ultimately take place. It was their recommendation that a mechanism be implemented to keep the legislative body apprised of the status of property which is to be transferred or sold because of legislative action.

In the program review analysis, four of the five legislative transactions were for administrative cost (usually less than $1,000) or for $1. Although the transactions had been through the disposition process and the required approvals had been obtained, none of the case files indicated whether the actual transfers had occurred. Therefore, the committee reasserts the auditors recommendation**:**

DPW, in conjunction with OPM, shall establish a monitoring system to track the disposition process from beginning to end. Information from this system should be included in DPW's annual report to the SPRB and the legislature.

DPW procedures. As with the leasing process, DPW has not promulgated regulations specifying how it will carry out its responsibilities in the disposition or acquisition process. It's procedural manual has not been updated since 1986 and refers to forms and steps no longer in use. The committee recommends:

DPW update its property acquisition and disposition manual to reflect the department current policies and procedures. Regulations shall be promulgated as needed.

Documentation. The committee found varying levels of documentation in DPW's case files for acquisitions and sales. To carry out its analysis, the committee had to refer to documentation at OPM and SPRB. The inconsistency found in the DPW files made it difficult for the committee to thoroughly assess DPW's performance in carrying out certain procedural steps. The committee believes the condition of the case files is in part due to the fact there is only one staff person assigned to handle these transactions. The program review committee recommends:

DPW require complete documentation of all real estate transactions. DPW staff assigned to handle property acquisition and disposition should be required to maintain an activity status report for periodic review by DPW management.

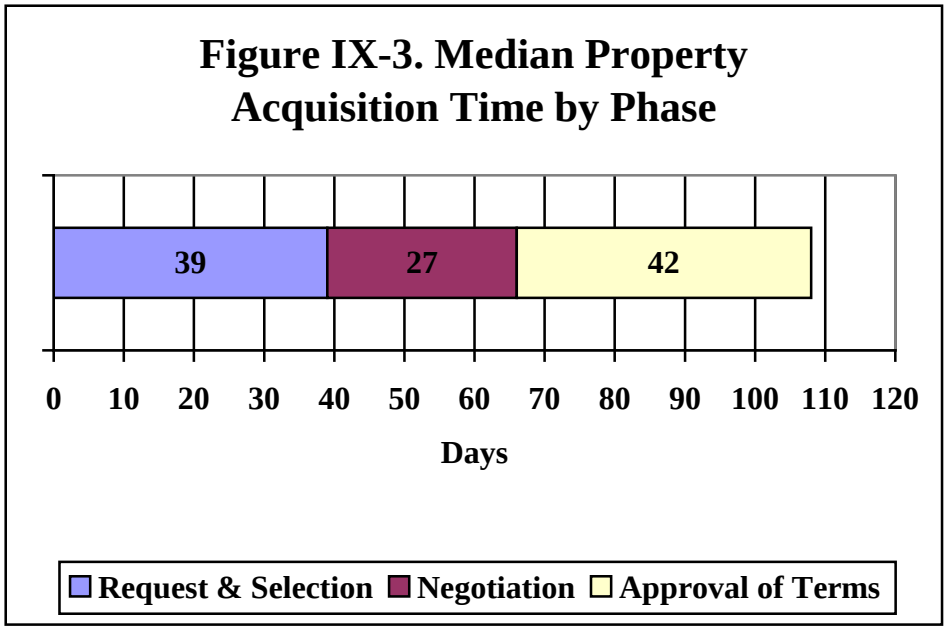
Property Acquisitions

The committee reviewed all eight acquisitions purchased by DPW since 1998. The majority of the purchases have been for expansion of educational facilities, judicial operations, and parking. The purchase price ranged from $80,000 to $380,000.

Processing times. The committee divided the acquisition process into phases to facilitate analysis. The phases include: property request and selection; negotiations; and approval of terms.

Figure IX-3 provides the elapsed time for each phase. The figure shows the total median time for the state to acquire property was 108 days or approximately four months. Six of the eight transactions examined by the committee were for property adjoining existing state land or in close proximity. Since these properties were needed for expansion or parking, a general search for competitive alternatives was not conducted. It took more time to complete the two transactions where a search was conducted for competitive bids.[15]

[15] In at least one case the acquisition process took over three years. This case involved an acquisition in Litchfield county for courthouse operations. DPW encountered legal difficulties when a third party purchased the property DPW had been negotiating.



Competitive bids and negotiations. As Figure IX-3 shows, more than half of the time is spent in the first two phases when DPW is in control of the transaction. Because the purchases were for identified property, the majority of time spent in the first phase was obtaining an appraisal. The least amount of time was spent on negotiations. This phase of the process was also the most poorly documented. There was little to no documentation evident in the files regarding negotiations. A review of the files suggests once an appraisal was completed, the negotiation process simply consisted of offering the property owner fair market value.

Table IX-2 compares the final purchase price with the appraised value. DPW was able to purchase two identified properties at the appraised price and one below the appraised value. Three identified parcels were purchased at slightly over 5 percent of the appraisal value.

Table IX-2. Purchase and Appraised Price for Identified and Advertised Properties

Purchase Price	Identified Purchase	Advertised Purchase	Total
Over 5% of appraised value	3	1	4
Within 5% above of appraised value	-	1	1
At appraised value	2	-	2
Within 5% below appraised value	1	-	1
Total Purchases	**6**	**2**	**8**

Since the majority of purchases were for identified properties, it is difficult for the committee to assess DPW's ability to attract competitive bidders. In the committee sample, two of the eight transactions had advertisements drafted. Each generated 11 proposals from ads running in four newspapers. One purchase was made at slightly above the appraised price while the second purchase was obtained for eight percent over the appraised value.

In the two advertised transactions, no formal assessment was conducted by DPW in selecting the proposed property. The client agency determines, within its budgetary constraints, which property they would prefer.

In order to ensure accountability for future transactions, the committee recommends:

DPW develop a standardized format for documenting any negotiations with property owners. In addition, the documentation should include an analysis of site alternatives and reasons why the subject property was chosen.

Appraisals. The purpose of the appraisal is to estimate the market value of the proposed property. In addition to a description of the property, the appraisal will contain a market analysis. Appraisals are conducted by outside appraisers selected by the purchasing agent from a list of previously used appraisers. According to DPW procedures manual, the criteria for the selection is based on appraiser's proximity to the property, expertise and knowledge of area, and availability.

The case file review and discussions with various agency staff revealed the following issues related to appraisals:

- *There is no reference to the use of appraisals mentioned in DPW's statutes.* Current DPW policy is to seek two separate appraisals if the property is valued in excess of $1.5 million. However, this is an informal policy agreement made between DPW and SPRB.

- *There is no statutory requirement for DPW to disclose the results of appraisals.* In one case, an appraisal was significantly lower than the owner's asking price. DPW sought a second appraisal that turned out be closer to the owner's asking price.[16] However, only the second appraisal was submitted and disclosed to the SPRB.

- *DPW does not have a formal process for the selection of appraisers or inclusion of new appraisers.* Six of the eight purchase appraisals reviewed were prepared by the same appraiser.

[16] Agency staff contend there was a question as to the location of the property line in the first appraisal.

To address these issues, the committee recommends:

- **the DPW statutes be amended to reflect policy regarding the use and disclosure of appraisals for DPW real estate transactions;**

- **SPRB be granted authority to request, at its discretion, additional appraisals to assist in its review process; and**

- **DPW adopt a formal process for the selection and inclusion of new appraisers to be used in its real estate transactions.**

Chapter X

DPW Organization Structure and Other Issues

During the late 80s and early 90s, all leasing and property transfer functions were found within one DPW unit. The unit contained 11 staff members including leasing and property agents, a lease compliance officer, planners, and a leasing director. Attrition, early retirements, and the state's hiring freeze reduced the number of staff available to perform these functions. Responsibilities were dispersed among existing staff. As a result, various aspects of the space acquisition function are currently handled by staff in three different DPW units. (Figure I-1 in Chapter I highlights the units involved.)

Transactions involving leased facilities are carried out by DPW's leasing unit which is supervised by the director of the Facilities Management Division. The unit consists of six individuals including: three leasing agents, one supervisor, and two support staff. This group locates and negotiates leases on behalf of other state agencies. However, requests for leased facilities are initially reviewed by one staff person in the Process Management unit within the Risk Management Division.

Purchases and sales of state property are handled by one property agent who reports to a separate deputy commissioner. The property agent works with the Office of Policy and Management to buy, convey, and/or sell property for the state.

The committee finds *DPW's current organizational structure as it relates to space acquisition and disposition is disjointed.* This splintered structure contributes to inefficiency and some of the problems outlined earlier in the report. These functions should be placed in one DPW unit reporting to one agency head for better oversight and management. Therefore, the program review committee recommends:

All DPW responsibilities relating to leased facilities and property acquisition be organized into one separate dedicated unit.

Working Relationship with Other Agencies

Although the Department of Public Works (DPW) was the focus of this study, the committee found it could not evaluate DPW's performance without consideration of the roles played by other agencies involved in space acquisition. As referenced throughout this report, the Office of Policy and Management, the State Properties Review Board, the Office of the Attorney General, and client agencies all play roles in the process and thus impact DPW's performance.

Interviews with staff from these various agencies indicate their overall cooperation is basically good. Nonetheless, DPW's relationship with each major player would appear to benefit from improvements in communications, streamlining of the process, and clarification of responsibilities. As mentioned earlier, initiatives are being implemented to address some of these areas including a process checklist, standardized lease contract language, and paralegal support

for DPW's leasing unit. Observations of the case files and previous audits also suggest other improvements may be needed. The following is a discussion of some of these issue areas.

DPW's Annual Report to SPRB. C.G.S. § 4b-2 requires DPW to transmit an annual report to the SPRB. This report provides information and analysis on DPW real estate transactions including a listing of transactions submitted to the SPRB for approval. The report is submitted to the Governor and various legislative committees of cognizance.

The committee found a number of reporting inaccuracies in a series of DPW annual reports. The program review committee recommends:

DPW must establish better information tracking and take steps to improve its quality control with a goal of zero errors in the statutorily required reports.

Adherence to process. Each case file in the program review sample of leases, acquisitions, and sales was examined to determine the degree to which stated procedures were followed. Compliance was measured against statutory requirements, department procedures, and informal interagency agreements. It was difficult to assess adherence to certain procedural steps because either specific guidelines did not exist or were outdated. Although the committee did observe certain lack of attention to detail for some statutory requirements, the sample case files did not show evidence of serious deviation from the mandated procedures.

The committee defined serious deviation from the process as one of the participants becoming involved in a part of the process where he/she would not typically play a role. The committee did find cases where the level of management involved was more than generally required. However, these cases usually involved large complicated projects or ones experiencing legal issues where higher level management might be necessary.

Once the board has approved a proposal, the terms or conditions cannot be changed or modified without its consent. This issue was raised as a concern in a recent state auditor's report.[17] The report noted three instances where a lease proposal approved by the SPRB was materially changed and resulted in the execution of a lease that contained terms that conflicted with the terms approved by the SPRB. To prevent this problem, the auditors recommended an additional review step be formally incorporated into the process which would require SPRB to sign off on the final lease.

The committee agrees and reasserts the auditor's recommendation:

The State Properties Review Board should be empowered to sign all leases prior to their final execution. SPRB shall review each lease for compliance with its decisions. All leases differing materially from the terms of SPRB decisions must be reported to the State Auditors Office for further investigation. Parties involved in transactions determined to be out of compliance should be held accountable and subjected to strict penalty and disciplinary action.

[17] Auditors' Report Department of Public Works for the fiscal years ended June 30, 1997 and 1998.

Appendix A
FACCAP Space Management Goals

Goal 1: Effective Management of Unused and Underutilized State Land and Facilities

Policy To Achieve This Goal: *A current inventory shall be maintained of all unused and underutilized State owned properties. Identified land and structures shall be evaluated to determine opportunities for and constraints to effective reuse. All new space requests shall be compared with such facility analysis to determine the feasibility of reuse prior to consideration of new leasing or capital construction.*

Goal #2: Maximum Utilization of Limited Resources for State Office and Facility Projects

Policy To Achieve This Goal: *All space acquisitions or utilization decisions shall be for office or facility projects that are the most economical, efficient or of the highest priority.*

Goal #3: Reduction of Dependency on Leased Facilities

Policy To Achieve This Goal: *State efforts shall be directed toward reducing reliance on leased offices and facilities by discontinuing leases where feasible, limiting the use of leased property to interim needs and replacing leases with State-owned facilities as soon as it is economically feasible.*

Goal #4: Efficient Space Utilization

Policy To Achieve This Goal: *Offices and facilities acquired by the State shall be space efficient. Efforts shall be made to maximize present space use, eliminate inefficiencies where they exist, and where feasible, vacate space that cannot be made space efficient. Space standards shall be a guide in determining efficient space use.*

Goal #5: Life-cycle Cost Efficiency in State Facilities

Policy To Achieve This Goal: *The only facilities to be considered by the State for long term use shall be those determined to be cost efficient, or potentially cost efficient, during the expected useful life of the facilities.*

Goal #6: Energy Efficiency in State Facilities

Policy To Achieve This Goal: *Only offices and facil9ties that are energy efficient or are capable economically of being made energy efficient shall be considered for construction or acquisition by the State in either lease or capital programs. Existing State leased or owned facilities shall be maintained so as to conserve energy. Those facilities determined to be energy inefficient and not capable of being made energy efficient at reasonable cost, shall be planned for gradual vacating, sale or replacement with energy efficient facilities.*

Goal #7: Effective Management of the Development of the Capitol Center District

Policy To Achieve This Goal: *All space utilization and management decisions affecting the Capitol Center District shall be made in a manner responsive to the legislative mandate concerning the development of the District and the specific central government location requirements of appropriate State agencies. All such development shall responsibly enhance the image of the District as the seat of State Government.*

Goal #8: Coordinate Service Delivery Systems and Appropriate Centralization of Services

Policy To Achieve This Goal: *Space utilization and management decisions shall be made, when feasible, which best coordinate or centralize the delivery of services. Co-location of agencies, or similar accessibility to the public avoids unnecessary duplication and maximizes the utilization of available resources.*

Goal #9: Consolidate Central Administrative Office Facilities Into Single Central Locations

Policy To Achieve This Goal: *If agencies occupy multiple locations, encourage the location of agency central administrative offices into single locations.*

Goal #10: Urban Neighborhood Revitalization and Support

Policy To Achieve This Goal: *All decisions affecting State facilities or potential State facilities shall consider whether the effect of decisions will be in support of the State's urban areas or their revitalization in accordance with Executive Order No 20 and C.G.S. Section 4-66b.*

Goal #11: Cooperative Use and Historic Preservation of State Buildings

Policy To Achieve This Goal: *Encourage State use of buildings with historic, architectural or cultural significance. Encourage the commercial, cultural, educational and recreational use of public buildings by the general public.*

Goal #12: To Provide a Safe, Comfortable, Space Efficient Working Environment

Policy To Achieve This Goal: *With due consideration given to economic feasibility and fiscal constraints, efforts shall be directed toward maintaining or attaining environmental standards in State offices and facilities that will protect the health and safety of workers, enhance the professional appearance of the State facilities in the eyes of the public and clientele of the State, and retain or attract high quality personnel.*

Goal #13: Accessibility to all State Owned and State Leased Facilities for Disabled Persons

Policy To Achieve This Goal: When leasing facilities or building new facilities, steps will be taken to ensure accessibility to all State programs by persons with disabilities. State agencies will include in their planning the requirements of Section 504 of the Rehabilitation Act of 1973 and the Americans with Disabilities Act (ADA) to ensure that the goal of accessibility is reached.

Goal #14: Utilize Private Sector Opportunities Before Expanding State Facilities

Policy To Achieve This Goal: *When program activities are proposed for expansion, a review should be undertaken to determine whether a program or activity might be better accommodated by the private sector before expansion takes place.*

Appendix B

Analysis of DPW Parking Leases

Table B-1. Statistics for DPW Parking Leases		
Range of Parking Spaces per Lease	**Range of Annual Cost**	**Range of Monthly Cost per Parking Space**
6 – 210	$ 1,200 – 158,100	$ 5.00 – 85.00

Table B-2. Distribution of Parking Leases by Annual Cost		
Annual Cost	*Number of Leases*	*Percentage of Leases*
$ 0-4,999	3	12%
$ 5,000-9,999	7	28%
$ 10,000-19,999	1	4%
$ 20,000-49,999	10	40%
$ 50,000 – higher	4	16%
Total	**25**	**100%**

Table B-3. Distribution of Parking Leases by Size		
Parking Spaces per Lease	*Number of Leases*	*Percentage of Leases*
Less than 20 spaces	6	24%
20-50	5	20%
51-100	9	36%
More than 100	5	20%
Total	**25**	**100%**

Table B-4. Distribution of Parking Leases by Cost Per Space		
Cost per parking space	*Number of Leases*	*Percentage of Leases*
Less than $15	2	8%
$15-25	7	28%
$26-50	9	36%
$51-75	5	20%
$76 –higher	2	8%
Total	**25**	**100%**

Appendix C

Analysis of DPW Miscellaneous Leases

In addition to office and parking spaces, DPW inventory lists 26 leases covering a variety of miscellaneous types of space including classrooms, courtrooms, and storage.

Table C-1. Distribution of Miscellaneous Leases by Annual Cost		
Annual Cost	*Number of Leases*	*Percentage of Leases*
$ 0-9,999	3	12%
$ 10,000-49,999	8	31%
$ 50,000-99,999	5	19%
$ 100,000-499,999	8	31%
$ 500,000 – higher	2	8%
Total	**26**	**100%**
Source: LPR&IC analysis		

Table C-2. Distribution of Miscellaneous Leases by Size		
Square Footage	*Number of Leases*	*Percentage of Leases*
0-9,999	10	38%
10,000-19,999	8	31%
20,000-49,999	5	19%
50,000 or higher	3	12%
Total	**26**	**100%**
Source: LPR&IC analysis		

Table C-3. Distribution of Miscellaneous Leases by Cost Per Square Foot		
Cost per Square Foot	*Number of Leases*	*Percentage of Leases*
Less than $10.00	14	54%
$10.00-12.99	3	12%
$13.00-15.99	5	19%
$16.00-18.99	2	8%
$19.00- more	2	8%
Total	**26**	**100%**
Source: LPR&IC analysis		

Appendix D

Analysis of DPW Leases by Region

The committee also conducted regional analysis of DPW's leasing inventory. Table D-1 gives the total number of leases and total annual cost by region. Hartford has the highest percentage of all leases, followed by New Haven (25%) and Fairfield (22%). Tolland with two percent of the leases has the fewest. This pattern is also seen in terms of total annual cost. However, Hartford's total annual cost ($17,563,913), comprising 50 percent of the grand total, is significantly larger than the individual as well as the combined totals of New Haven and Fairfield.

Table D-1. Distribution of All DPW Leases by Region and Annual Cost

County	Total Number of Leases	Total Annual Cost
Fairfield	45 (22%)	$ 4,560,035 (13%)
Hartford	59 (29%)	$ 17,563,913 (50%)
Litchfield	9 (4%)	$ 579,359 (2%)
Middlesex	8 (4%)	$ 1,182,091 (3%)
New Haven	52 (25%)	$ 7,586,626 (22%)
New London	14 (7%)	$ 1,419,356 (4%)
Tolland	4 (2%)	$ 204,823 (.5%)
Windham	15 (7%)	$ 1,858,275 (5%)
Total	**206**	**$ 34,954,477**

Source: LPR&IC analysis

Table D-2 presents the distribution of leases (excluding parking leases) by region. As the table shows, Hartford county by far has the most number of leases in total square footage and annual cost while the Tolland region has the lowest. However, leases in the Tolland area have the highest average cost per square foot ($16.06) compared to the rest of the state. Hartford county has the lowest ($12.30).

The regional distribution of the 25 parking leases is shown in Table D-3. Sixty percent of the leases are found in Fairfield and New Haven counties with 8 and 7 parking leases respectively. The largest total number of leased parking spaces are located in the New Haven area which also has the highest total annual cost. However, the highest average monthly cost per parking space is seen in the Fairfield region with $51 cost per space.

A listing of all the towns, as well as the leasing statistics for each, is seen in Table D-4.

Table D-2. Regional Statistics of Leases (excluding Parking)				
County	**Number of Leases**	**Total Square Footage**	**Total Annual Cost**	**Average Cost per SQFT**
Fairfield	36	326,090	$ 4,349,138	$ 14.24
Hartford	57	1,401,168	$ 17,509,253	$ 12.30
Litchfield	8	50,529	$ 570,359	$ 15.86
Middlesex	8	95,033	$ 1,182,091	$ 13.88
New Haven	45	517,664	$ 7,171,306	$ 13.74
New London	9	85,165	$ 1,364,156	$ 14.72
Tolland	4	13,842	$ 204,823	$ 16.06
Windham	14	117,854	$ 1,849,275	$ 14.46
Total	**181**	**2,607,345**	**$ 34,200,400**	**$ 13.55**
Source: LPR&IC analysis				

Table D-3. Regional Statistics for Parking Leases.				
County	Number of Leases	Total Parking Spaces Leased	Total Annual Cost	Average Cost per Parking Space
Fairfield	8	350	$ 210,897	$ 51.00
Hartford	3	458	$ 54,660	$ 42.00
Litchfield	1	30	$ 9,000	$ 25.00
Middlesex	-	-	-	-
New Haven	7	663	$ 415,320	$ 47.86
New London	5	246	$ 55,200	$ 22.80
Tolland	-	-	-	-
Windham	1	50	$ 9,000	$ 15.00
Total	**25**	**1,797**	**$ 754,077**	**$40.04**
Source: LPR&IC analysis				

Table D-4. Distribution of Leases by Town		
Town	***Number of Leases***	***Total Annual Cost***
Bridgeport	21	$1,855,326
Bristol	4	$377,882
Danbury	8	$766,052
Danielson	1	$24,133
Derby	2	$388,500
East Hartford	2	$4,152,074
Enfield	2	$47,346
Farmington	1	$444,225
Hamden	2	$117,460
Hartford	25	$7,999,195
Killingly	3	$99,379
Litchfield	5	$90,118
Manchester	3	$653,439
Meriden	4	$971,592
Middletown	8	$1,182,091
Milford	2	$650,443
New Britain	7	$1,777,064
New Haven	21	$3,067,693
New London	3	$143,941
Newington	1	$55,385
Norwalk	5	$432,274
Norwich	9	$839,743
Plainville	1	$52,115
Putnam	2	$122,408
Rocky Hill	4	$328,097
Salem	1	$300
Stamford	9	$1,506,383
Tolland	1	$500
Torrington	4	$489,242
Vernon	3	$204,323
Wallingford	2	$280,083
Waterbury	16	$1,951,916
Waterford	1	$435,371
West Hartford	5	$419,036
West Haven	3	$158,939
Wethersfield	2	$420,015
Windham	9	$1,612,354
Windsor	2	$838,040

APPENDIX E
Analysis of DPW Leases by State Agency

In addition to regional analysis, the committee also examined the leasing inventory by state agency. The following table lists the top five state agencies by total number of leases, total annual cost, total square footage (excluding parking leases), and average cost per square foot. A complete listing of agency leasing statistics are provided below.

Table E-1. Top Five Lease Ranking of State Agencies

Total Number of Leases	Total Annual Cost	Total Square Footage*	Average Cost Per SQFT*
Judicial (64)	Judicial ($ 7,204,173)	Judicial (476,184)	DOIT ($20.95)
DSS (22)	DSS ($ 5,229,304)	DSS (453,271)	Crim Justice ($17.33)
DCF (15)	DCF ($ 4,605,340)	DCF (304,207)	Arts ($17.00)
DMHAS (13)	DPW ($ 4,411,406)	DPW (263,648)	Agriculture ($16.71)
DMR (12)	DOIT ($ 4,027,700)	DOIT (192,253)	DPW ($16.07)

*Excludes parking leases

Source: LPR&IC analysis

The inventory analysis revealed the judicial department had the most number of leases, the highest total annual cost, and largest total square footage of the state agencies. The Departments of Social Services (DSS) and Children and Families (DCF) followed consecutively in second and third position for each category. In terms of average cost per square foot, the Department of Information Technology (DOIT) has the highest ($20.95) followed by the Division of Criminal Justice ($17.33), the Commission on the Arts ($17.00), Agriculture ($16.71), and the Department of Public Works ($16.07). It is important to note that the condition of the real estate market during the year the rate was negotiated may have an impact on cost.

Distribution of Leases by State Agency		
Agency	***Number of Leases***	***Total Annual Cost***
Protection & Advocacy	1	$189,948
Agriculture	1	$227,224
Attorney General	2	$39,245
Banking	1	$474,052
BESB	3	$890,539
Criminal Justice	9	$241,836
CHRO	4	$142,000
Commission on Arts	1	$116,586
Comm. Colleges	3	$281,338
Deaf	1	$65,813
DAS	1	$24,000
DCF	15	$4,605,340
DEP	1	$56,000
DMHAS	13	$1,470,609
DMR	12	$1,426,808
DMV	5	$737,782
DOC	5	$184,715
DOIT	1	$4,027,700
DPS	1	$31,275
DPW	3	$4,411,406
DRS	3	$186,754
DSS	22	$5,229,304
Education	4	$548,560
Historical	1	$10,800
Insurance	1	$442,317
Judicial	64	$7,204,173
Library	1	$100,500
Military	4	$137,679
Parole	3	$94,865
Sheriff’s Advisory	1	$500
Special Revenue	1	$55,385
SSMF	4	$43,996
Veterans	3	$35,406
Worker’s Compensation	8	$1,178,669

Appendix F
Surplus Property

Table F-1. Surplus Property by State Agency		
Year Declared Surplus	***Agency***	***Total***
1995	DMHAS (2) DEP (1)	3
1996	DMHAS (1) DMR (2) DPS (1)	4
1997	DMHAS (1) DMR (2) DMV (3) DPW (2) DCF (1) CSU (1) DAS (1) DOT (1) CTC (1) VA (1)	14
1998	DPW (2) Military (1)	3
1999	DPW (1) Military (1) DAS (1)	3
Total		**27**

Table F-2. Surplus Property by Town (1995-Present)	
TOWN	Number of Surplus Property
Chesire	1
Columbia	1
East Lyme	1
Greenwich	1
Hartford	2
Meriden	3
Middletown	2
Naugatuck	1
New Britain	1
New Haven	1
Newton	2
Norwalk	1
Norwich	2
Rocky Hill	1
Seymour	1
Stamford	1
Stonington	1
Waterford	1
Westport	2
Wethersfield	1
Total	**27**

APPENDIX G - *Department of Public Works Survey*

BACKGROUND

1. Agency Name: _____**N=29**_____

2. Agency Facility Space:

	%	**LEASED**
	%	**OWNED**
100	%	**TOTAL SPACE**

3. Is there one person in your agency primarily responsible for handling matters related to leasing / space acquisition?

   90% YES **10%** NO ☞ ***If NO, SKIP TO QUESTION 7***

4. If yes, please indicate the title of this person: _____

5. How long has this person been responsible for this task? _____ Year(s)

6. To whom within the organization does this person report?

   58% Directly to the Head of the Agency
   37% To Another Employee Who Reports to the Head of the Agency
   5% Other (Please Explain) _____

7. If no individual is primarily responsible for leasing and space acquisition matters, how are these functions handled?

   _____

   _____

LEASING / PROPERTY ACQUISITION

8. Based on your agency's leasing or property acquisition experiences, how would you rate the Department of Public Works in terms of the items listed in the chart below?: *Circle your answers*.

	EXCELLENT	GOOD	FAIR	POOR	NOT APPLICABLE
Clarity of its policies	**5%**	**48%**	**43%**	**-**	**5%**
Timeliness of its process	**5%**	**38%**	**19%**	**33%**	**5%**
Technical support in determining space needs	**10%**	**43%**	**24%**	**10%**	**14%**
Ability to find suitable facility options	**5%**	**52%**	**35%**	**5%**	**5%**
Evaluating advantages and disadvantages of potential sites	**10%**	**57%**	**24%**	**5%**	**5%**
Considering the ability of potential sites to meet state energy performance standards	**10%**	**38%**	**14%**	**5%**	**33%**
Negotiating favorable lease terms	**14%**	**43%**	**33%**	**10%**	**-**
Drafting lease proposals outlines	**14%**	**57%**	**14%**	**10%**	**5%**
Resolving problems with lessor after lease is signed	**10%**	**52%**	**29%**	**5%**	**5%**
Overall working relationship with the agency	**24%**	**48%**	**24%**	**5%**	**-**

9. Overall, does your current facility suit your agency's needs well?
76% YES **24%** NO, *please explain* _____

_____

STATEWIDE FACILITIES AND CAPITAL PLAN

10. The Office of Policy and Management (OPM) currently requests agency input to formulate a statewide facilities and capital plan (FACCAP) to plan for future space changes. What methods are used to make FACCAP predictions for your agency?
Please explain _____

_____

11. Do you believe the FACCAP is a good indicator of agencies' future space needs?
94% YES **6%** NO, *please explain* _____

_____

12. Are there any changes that you feel are needed in FACCAP or the state's capital planning process?
33% YES **67%** NO
If Yes, please explain _____

_____

EMERGENCY CERTIFICATIONS

13. Emergency certification requests occur when space changes are requested that have not been included in the FACCAP or are more than a 10% change from FACCAP predictions. Has your agency ever applied to OPM for an emergency certification?

52% YES **48%** NO ☞ ***If NO, SKIP TO QUESTION 17***

14. When did your agency last request an emergency certification?

55% Within the last year **27%** Within the last 3 years **18%** Within the last 5 years **0%** 5+ years ago

15. Has your agency ever been denied an emergency certification request?

0% YES **100%** NO
If Yes, please explain _____

_____

16. Are there any changes that you feel are needed in the emergency certification process.

36% YES **64%** NO
If Yes, please explain _____

_____

17. Please feel free to add any other comments or suggestions about the Department of Public Works and the State's property acquisition process on a separate page.

Please Return In The Enclosed Prepaid Envelope

THANK YOU FOR YOUR PARTICIPATION.

Appendix H
Agency Response

STATE OF CONNECTICUT

DEPARTMENT OF PUBLIC WORKS

T. R. Anson
Commissioner

February 6, 2002

Michael L. Nauer, Director
Connecticut General Assembly
Legislative Program Review and Investigations Committee
State Capitol, Room 506
Hartford, Connecticut 06106

The purpose of this letter is to comment on the Legislative Program Review and Investigations Committee's final report concerning the leasing and property disposition functions of the Department of Public Works.

Since 1995, DPW has endeavored to reduce reliance on leased space, as well as increase the quality of leased space. Over this time period, the floor area leased by the state has declined by 15%, while the annual cost has remained relatively steady despite our pursuit of higher quality space in a more competitive real estate market. When inflation is factored in, the annual cost has declined significantly.

The committee's survey gave DPW low marks on timeliness of process. DPW agrees that the current process is lengthy and has many cumbersome steps. Prior to the committee initiating this study DPW began working toward improving timeliness by pursuing elimination of the Lease Proposal Outline, implementation of a process checklist, and development of a new standard lease agreement in collaboration with the Attorney General's office.

DPW has already implemented the checklist, which should greatly enhance process flow and reduce implementation time. Additionally, a paralegal has been redeployed to the leasing staff to assist in the preparation of the lease agreement. The Attorney General's office is currently reviewing the new standard lease agreement. DPW is actively working with the Office of Policy and Management on proposed changes to the lease approval process, including elimination of the Lease Proposal Outline.

The updated document is designed to eliminate deviations from State Properties Review Board approval by adding the board's approval signature to the final lease agreement.

The survey also pointed to customer dissatisfaction with our leasing staff's ability to handle larger, more complex projects. This criticism is aimed at leases that involve extensive and/or specialized tenant build-out and renovations to the leased space. DPW has addressed this through an organizational change. The Facilities Management Division now has technical staff (architects and engineers) assigned to review and provide oversight of the more technical aspects of design and construction associated with these types of leases. This staff is also available to assist with lease compliance issues.

DPW is also contemplating providing a dedicated lease compliance officer through further staff redeployment.

Beyond these improvements, DPW plans to update the Business Process Mapping that was conducted several years ago, in order to further streamline the process. The end result will include a new policy and procedure manual to replace the one published in 1986, and the promulgation of regulations appropriate to the revised business process.

Regarding the Request for Space process, DPW believes that the coordination and timeliness issues can be resolved through procedural and/or organizational changes within DPW, rather than by transferring the function to OPM. The process is integral to the coordination of DPW's leasing efforts. As a first step in this effort, DPW has developed a spreadsheet for tracking requests and the automated portion of the process has been migrated from an old, outdated legacy system to a spreadsheet format.

The space standards utilized for calculating agency space needs were published in 1991, however, they remain valid. DPW plans to update and simplify the space standards manual during 2002.

DPW will also continue working closely with OPM to improve the facilities planning and property disposition functions.

DPW continues to make substantial progress in improving leasing and related functions, and appreciates your staff's work on this report, which reinforces our own findings in several areas.

Sincerely,

T.R. Anson
Commissioner

TRA/spk