Report 105

State of California

Little Hoover Commission

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REAL PROPERTY MANAGEMENT IN CALIFORNIA: MOVING BEYOND THE ROLE OF CARETAKER

OCTOBER 1990

Commission on California State Government Organization & Economy

George Deukmejian, Governor

State of California

Little Hoover Commission

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October 2, 1990

The Honorable George Deukmejian
Governor of California

The Honorable David Roberti
President pro Tempore of the Senate
and Members of the Senate

The Honorable Kenneth L. Maddy
Senate Minority Floor Leader

The Honorable Willie L. Brown, Jr.
Speaker of the Assembly
and Members of the Assembly

The Honorable Ross Johnson
Assembly Minority Floor Leader

Dear Governor and Members of the Legislature:

In a time of shrinking resources and mushrooming demands for service, it is crucial that the State of California put its assets to work to maximize the potential benefits for all citizens. Yet repeatedly over the past five years, the Little Hoover Commission has found that the State has displayed an appalling ignorance about its own holdings and has taken an inexplicable lackadaisical approach to managing its real property. In the report that our Commission is transmitting to you today, we have pinpointed serious flaws in the State's property management procedures:

* The State has an incomplete and inadequate structure for pursuing a proactive management strategy.

* The State has a fragmented and incomplete approach to planning for its long-term needs.

* The Statewide Property Inventory lacks crucial elements for it to be an effective property management tool.

* Many of the State's current statutes, policies and procedures inhibit proactive management.

With the help of our Commission's repeated prodding, the State is just now--after many costly delays--in a position to keep track of its property and begin to assess its value. But the creation of a Statewide Property Inventory was never our final goal. The knowledgeable and assertive handling of real property--which we have labeled proactive management--is the step that will move the State beyond the role of caretaker and into its more proper role of active steward on behalf of the people of California.

It is beyond question that the methods the State uses to manage its real property are important since California is one of the largest property owners and managers in the nation. The State owns 3,097 properties totalling more than 2.1 million acres. These properties include 18,633 structures with a total of more than 157.4 million square feet of space. In addition, the State leases more than 2,100 facilities with more than 14.1 million square feet of space.

Despite these extensive holdings, the State has done little in the past to bring a cohesive, centralized approach to its property decisions. In our report today, we are urging a substantial overhaul of the way the State has structured responsibility for and authority over real property. Highlights from the Commission's 17 recommendations:

1. The authority, mandate and composition of the current Public Works Board should be significantly expanded to make it the central administrative structure for the State's proactive real property management system. The Board's responsibilities should include long-range planning, appraisal, acquisition, financing, day-to-day management, construction planning and oversight, disposal of excess property and joint development with public or private agencies.

2. To ensure broad-based representation, a recommended composition for the revised Board:

   - Five Public Members (including the Chair), appointed by the Governor
   - Director of the Department of Transportation
   - Director of Finance
   - State Treasurer
   - State Controller
   - Two Senators, appointed by the Senate Rules Committee
   - Two Assembly members, appointed by the Speaker of the Assembly

3. The Governor and the Legislature should enact legislation that requires each state agency to submit to the Board an intermediate (5-year) and long-range (10-year) capital outlay plan. The Board should submit a multi-year, priority ranked capital outlay plan for all state agencies as a part of the annual budget process.

4. Legislation should be enacted to require the Statewide Property Inventory to include an exact description of property, its current and expected use, and the extent of its current use, as well as the estimated value for metropolitan properties.

5. Legislation should be enacted to allow the Board to lease out property for up to 49 years when it is in the best interests of the State.

6. Legislation should be enacted to provide incentives for superior proactive management performance by departments, individuals and management groups. As part of this plan, state agencies should be allowed to retain for agency operations 20 percent of any revenues generated by the management of real property.

7. The Public Works Board should conduct a thorough analysis of all existing legal and policy mandates related to holding or managing property. The analysis should recommend appropriate statutory and policy changes to ensure consistency.

We urge you to take swift action on the recommendations embodied in this report. The pressures on California's pocketbook are ever increasing. The State can ill afford to continue policies and practices that ignore the value of the extensive assets that are held in trust for the people of California. It is time--in fact, past time--to put the State on a businesslike footing that will most benefit its citizens.

Sincerely,

NATHAN SHAPELL, Chairman
Haig Mardikian, Vice Chairman
Senator Alfred Alquist
Mary Anne Chalker
Arthur Gerdes
Albert Gersten
Senator Milton Marks
Assemblywoman Gwen Moore
Angie Papadakis
Abraham Spiegel
Barbara Stone
Richard Terzian
Assemblyman Phillip Wyman

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EXECUTIVE SUMMARY

The Little Hoover Commission has concluded that California is failing to manage its property well because of inadequate procedures, organizational structures and mandates. As a result, the State is not using its assets to the fullest extent for the maximum benefit of its citizens. This report, the result of an extensive investigation and thorough analysis, presents the Commission's findings and outlines recommendations for a major overhaul of the way California handles its real property.

The State of California owns, leases and manages a significant number of real property holdings. As of July 31, 1990, the Department of General Services reported that the State owned 3,097 properties totalling more than 2.1 million acres. These properties include 18,633 structures with a total of more than 157.4 million square feet of space. In addition, the State leases more than 2,100 facilities with more than 14.1 million square feet of space. Thus, the State of California is one of the largest property owners and managers in the nation.

To manage these holdings, the State traditionally has adopted a "custodial" management style focused on keeping the real property it has and adding to its portfolio as capital outlay funds become available. This style of management tends to view state-owned real property as permanent fixtures that have value only in terms of their present use; any other value is unknown and irrelevant.

Only recently has the State considered adopting a "proactive" property management style that seeks to assure optimum use of and maximum value from State holdings. Such comprehensive and focused management is paramount in light of the State's need to maintain and expand its infrastructure as its population expands. The Legislative Analyst's Office has estimated that there is approximately $18.5 billion worth of needed projects over the next five years.

In line with its mandate to promote effective and efficient State practices, the Little Hoover Commission has been studying the State of California's management of its real properties since 1985. In March 1986, the Commission issued its first report, "California State Government's Management of Real Property," and concluded that the State's property management system is not strategic, is not systematic, and lacks performance incentives. The Commission recommended that the State authorize a pilot project for proactive asset management, create a centralized property inventory, and adopt an organizational structure for property management that ensures accountability. Subsequent legislation established a Statewide Property Inventory (SPI) and a proactive asset management pilot project.

Since 1986, the Commission has periodically held public hearings to monitor progress and to further explore the structure of real property management in the State of California, the relationship of property management to the capital outlay funding system, and the effects of current statutes, policies and procedures on effective real property management. The Commission's current study has resulted in the following findings:

FINDING #1 - THE STATE'S ORGANIZATIONAL STRUCTURE FOR DEVELOPING AND IMPLEMENTING A PROACTIVE PROPERTY MANAGEMENT SYSTEM IS INCOMPLETE AND INADEQUATE

The current organizational structure for acquiring, managing and financing real property for the State of California is divided among at least 76 separate administrative agencies. The authority

and management structure of these agencies vary greatly and do not necessarily work in conjunction with each other or within a broad statewide structure. Although proactive property management may be followed to some extent in certain agencies, it is not coordinated among all agencies; nor is valuable real estate experience shared among the agencies. Moreover, the current statewide policy-making and property management entity is understaffed while the majority of personnel devoted to property management are located within different agencies. This problem is further compounded by the delegation to various agencies the authority to pursue property management; the delegation is made by the Department of General Services, the primary central manager of real property, because of a lack of sufficient resources at the Department of General Services. The foregoing policies are diametrically opposed to the effective centralized management of the State's real property, and have led to inconsistent policies, a lack of central accountability and a potential increase in state costs or loss of revenue.

FINDING #2 - THE STATE'S SYSTEM OF PLANNING FOR ITS LONG-TERM REAL PROPERTY AND CAPITAL OUTLAY NEEDS IS FRAGMENTED AND INCOMPLETE

Although the State has significant real property holdings and enormous capital outlay requirements, its system of long-term planning does not include a comprehensive listing of all its real property and capital outlay needs, a priority ranking of those needs and a master plan to address those needs. Moreover, the State lacks a systematic method of evaluating how existing real property might be used to satisfy current capital needs. Instead, the State's system is closely linked to its budget process, which reviews needs in the context of individual departments rather than on a statewide basis. In addition, the system for long-term planning does not consistently consider the infrastructure needs of existing facilities. Thus, when the State annually appropriates or authorizes bonds to generate billions of dollars to finance property purchases and capital outlay projects, it does so without a comprehensive, multi-year plan. Further, the State's system does not adequately address the needs of the State and ultimately could cost the State millions of dollars in lost opportunities and adversely affect its credit rating.

FINDING #3 - THE STATEWIDE PROPERTY INVENTORY, ALTHOUGH FINALLY COMPLETED AFTER LONG DELAYS, WILL REQUIRE ADDITIONAL WORK TO BE MORE EFFECTIVE IN THE PROACTIVE MANAGEMENT OF INDIVIDUAL PROPERTIES

More than a year after it was initially due, the inventory of the State's real property is completed. The Department of General Services accomplished a monumental task in developing the Statewide Property Inventory (SPI), but the SPI will need verification and additional information to become an even more effective tool in the proactive management of individual properties. The statute that required the SPI specified that it must contain a description of the current use and projected use of the properties; such descriptions, however, are not available for all properties. Further, although not required by law, the extent of the use and the estimated value of the properties also are not included in the inventory. These elements are critical to proper management of many of the properties; it is difficult to make decisions regarding properties without knowing what they are used for, how much they are used and what they are worth.

FINDING #4 - CURRENT STATE STATUTES, POLICIES, AND PROCEDURES INHIBIT THE PROACTIVE MANAGEMENT OF THE STATE'S REAL PROPERTY

The effective management of real property demands both the flexibility to consider a wide range of alternatives for the use of real property and the ability to respond in a timely fashion. Current legal and policy mandates, however, encourage a custodial, rather than proactive, attitude toward real property management. In fact, in most instances, the State's current statutes and

policies discourage agencies from proactively managing their real property. Moreover, real property management is considered to be irrelevant to the primary mission of service delivery for most property-holding agencies, and there are no incentive programs in place to reward managers whose proactive stance in the management of the State's real property results in a financial benefit to the State. These statutory and policy barriers inhibit or delay the effective use of real property by extending the time needed to identify, reach agreement on and fund needed development or other alternative use of real property. Further, as a consequence of having no incentives for proactive management, the State may be losing out on opportunities to make more efficient and effective use of its properties.

In addressing these findings, the Commission's report presents 17 recommendations:

1. The authority, mandate and composition of the current Public Works Board should be significantly expanded to make it the central administrative structure for the State's proactive real property management system.

2. The revised Public Works Board should be responsible for the management of all the State's real property, except operating rights of way. The Board's property management responsibilities should include long-range planning, appraisal, acquisition, financing, day-to-day management, construction planning and oversight, disposal of excess property and joint development with public or private agencies.

3. A recommended composition for the revised Board:

   - Five Public Members (including the Chair), appointed by the Governor
   - Director of the Department of Transportation
   - Director of Finance
   - State Treasurer
   - State Controller
   - Two Senators, appointed by the Senate Rules Committee
   - Two Assemblymembers, appointed by the Speaker of the Assembly

4. The Public Works Board should have an independent staff that is headed by a Chief Executive Officer who serves at the pleasure of the Board. The staff should be organized into a Planning Division and a Real Property Management Division.

5. The Board should establish specific criteria for the "highest and best use" of each type of state property.

6. Revenues generated by the Board's proactive real property management should be allocated by the Governor and the Legislature among the Board (for current and future capital outlay costs), the agencies originally holding the properties and the General Fund.

7. The Governor and the Legislature should enact legislation that requires each state agency to submit to the Board an intermediate (5-year) and long-range (10-year) capital outlay plan. The Board should submit a multi-year, priority-ranked capital outlay plan for all state agencies as a part of the annual budget process.

8. As its mission statement, the Board should adopt a strategic and systematic proactive real property management process.

9. The Board should establish a systematic preventive maintenance program.

10. Legislation should be enacted to require state agencies to identify specific funds for real property management and maintenance, and to restrict the use of those funds to their original purposes.

11. Legislation should be enacted to require the Statewide Property Inventory (SPI) to include an exact description of property, its current and expected use, and the extent of its current use.

12. Legislation should be enacted that would require the SPI to contain estimated values for specified metropolitan properties.

13. Legislation should be enacted to allow the Board to lease out property for up to 49 years when it is in the best interests of the State.

14. Legislation should be enacted to allow the Board to declare state property as surplus.

15. The Board should conduct a legal analysis of all existing real property mandates to recommend legal and policy changes to ensure thoroughness and consistency.

16. Legislation should be enacted to allow state agencies to retain 20 percent of any revenues generated by the management of their property.

17. Legislation should be enacted to provide authority for individual and group incentives for superior proactive management performance.

INTRODUCTION

In 1986, the Little Hoover Commission issued a report that found that the State's real property management system was neither strategic nor systematic, and that it lacked performance incentives. The Commission recommended, among other things, that a statewide real property inventory be established, that a "proactive" real property management system be developed, and that incentives for individual property managers and agencies be created to achieve increased performance. Based on the Commission's recommendations, the Governor and the Legislature enacted measures requiring a statewide property inventory and a state property demonstration project.

Now, more than four years later, the Commission revisits the subject of real property management to identify the latest developments in the State's real property situation and determine what progress has been made in implementing the Commission's earlier recommendations.

Included below is a concise definition of "proactive" management, a brief description of the State's real property holdings and its structure to manage the holdings, a short overview of the Commission's 1986 report and its outcomes, and a discussion of the State's planning and financing of its capital outlay needs as an integral part of real property management.

BACKGROUND

The Commission's 1986 report promoted "proactive" real property management, instead of "custodial" management, for the State's significant real property holdings. By way of background to the current report, which again ardently advances the concept of proactive real property management, it may be helpful to illustrate the difference between the two management styles.

It is necessary to point out that the basic premise of proactive management is that real property has exchange value as well as present use value. Further, proactive real property management recognizes that the present use or exchange value of real property can be increased, maintained, or diminished depending on (a) market conditions, and (b) the availability of resources to invest in increasing or maintaining present value. During a February 1990 Commission hearing on the State's property management practices, the director of the State's Office of Asset Management defined proactive property management as "the comprehensive, planned management of the State's diverse portfolio of real estate to assure optimum use for the State's operations and maximum value from the surplus." The Commission concurs with that definition and emphasizes that the "optimum use for the State's operations" precludes the violation of public trust policies. For example, a scenic portion of parkland should not be leased out to a "fast food" restaurant simply because it would generate revenue for the State.

Contrary to proactive management, the State's "custodial" management is focused on keeping the real property it has, and adding to its portfolio as capital outlay funds become available. This style of management does not recognize the exchange value of properties, and tends to view state-owned real property as permanent fixtures that have value only in terms of their present use; any other value is unknown and irrelevant.

Magnitude of California's Holdings

The State of California owns, leases and manages a significant number of real property holdings. As of August 10, 1990, the Department of General Services' (DGS) Statewide Property Inventory reported that the State owns 3,097 properties totalling more than 2.1 million acres. These properties include 18,633 structures with a total of more than 157.4 million square feet of space. (Please see Appendix A for a detailed breakdown of state-owned properties. It should be noted that these figures do not include operational rights of way, such as highways, or surplus property held by the Department of Transportation; it also excludes water reservoirs held by the Department of Water Resources). In addition, the State leases more than 2,100 facilities including more than 14.1 million square feet of space. (Please see Appendix B for a detailed breakdown of leased properties). Thus, the State of California is one of the largest property owners and managers in the nation.

Although to date the State has not assessed the value of all its real property at current market values, in 1986 the DGS provided a conservative estimate of the replacement value of the State's real property at $1.35 billion. This estimate did not allow for appreciated value, however, and, as an estimate of replacement costs, excluded the value of land parcels with existing structures. Therefore, the estimate did little to give an accurate picture of the value of the State's real property. For this reason, the DGS is reluctant to give a more current estimate of value.

Department of General Services

The DGS has primary responsibility for managing the single largest holdings of the State's real property. As later described in this report, however, a number of other state agencies have either been delegated or have assumed responsibilities for managing real property independently; this report addresses the problems resulting from such an organizational structure. Nevertheless, the DGS has significant involvement in real property management.

The DGS was created for the purpose of providing centralized property management services including, but not limited to, the planning, acquisition, construction, maintenance and security of state buildings and property. In that capacity, the director of the DGS may acquire buildings and other real property in the name of the State whenever authorized by the Legislature.

For the most part, state real property under the DGS' control and jurisdiction is non-institutional space; this includes multi-tenant, general purpose office buildings and supporting facilities, such as parking structures and warehouses. Institutional facilities such as prisons, hospitals and universities are usually acquired or constructed for a special or single purpose, occupied by a single agency, and administered and maintained by that agency.

The DGS owns or controls office facilities in every major city in California. In addition to acquiring and constructing these facilities, the DGS also may have the responsibility for maintaining these facilities and their adjacent grounds. Further, employees from virtually every state agency are housed in DGS office buildings.

In the event that state-owned facilities are neither available nor compatible with the proposed tenant agency, leased facilities are provided. Currently, the DGS leases approximately 11.6 million square feet of office space and more than 2.5 million square feet of other types of space for a total of more than 14.1 million square feet.

Similar to its management of buildings, the DGS is responsible for acquiring, managing, and disposing of land for state agencies. In acquiring land for the State, the DGS assists agencies in selecting sites for state facilities, appraises the value of the land to be purchased, and negotiates the purchase terms and price. Of the more than 2.1 million acres of land owned by the State, approximately 67 percent is controlled by departments within the Resources Agency, such as the Department of Parks and Recreation and the Department of Fish and Game. Another 27 percent is held by the State Lands Commission.

The DGS also manages and disposes of property that the Legislature has designated as "surplus land," which is land that the State does not need. State law provides for the disposal of surplus land by making it available for transfer to other agencies, for sale to other government entities or for sale to the general public. By December 31 of each year, all property-holding agencies are required to provide the DGS a list of any proposed surplus lands. After reviewing the list and determining that no state agencies need the properties, the DGS sponsors a legislative measure to legally declare the properties as surplus. Once declared as surplus, the properties are first offered for sale to eligible local governmental agencies and then to the general public.

Previous Property Management Study

In June 1985, the Little Hoover Commission began a study of the State of California's management of its real properties. After two public hearings and approximately ten months of effort, the Commission in March 1986 issued its report, "California State Government's Management of Real Property." The report concluded that the State's property management system:

- Is Not Strategic - The system fails to recognize property as a valuable asset, lacks overall property management goals and proactive management strategies, and fails to set measurable objectives for reducing costs and increasing revenues;

- Lacks Performance Incentives - State government fails to offer incentives to individual employees and/or agencies to implement a program of proactive asset management to reduce costs and increase revenues; and

- Is Not Systematic - The system lacks the ability to evaluate individual and agency performance in striving to achieve goals and to report on performance in measurable terms; the system also lacks the capacity for accurate and timely data base management and data analysis.

The report proposed nine recommendations for improving the State's management of real property, including the following:

1. Authorize a pilot project for proactive real property management in a selected geographic area of the State to:

   - Identify all state-owned property;
   - Determine its value;
   - Analyze all alternatives for selling, exchanging, leasing or restructuring ownership;
   - Estimate potential revenues; and
   - Propose a model real property management system.

2. Adopt an organizational structure that establishes mechanisms designed to ensure accountability of decision making related to state real property management.

3. Develop incentives for departments and individual property managers to achieve increased revenues and reduced occupancy costs.

4. Analyze property management staffing in the major agencies owning property.

5. Create a centralized inventory that is maintained by the DGS and that is accessible by the other major property-holding agencies.

Based on the Little Hoover Commission's report and its recommendations, the Governor and the Legislature enacted three measures into law. Two of the measures involved the development of a comprehensive real property inventory (which is discussed in detail later in this report) and one measure resulted in a state demonstration project. These measures are:

- AB 3932 (Areias) Chapter 907, Statutes of 1986, which required the State, excluding the Department of Transportation, to inventory its property holdings.

- AB 142 (Areias) Chapter 638, Statutes of 1987, which required the Department of Transportation to furnish the DGS with an inventory of all current land holdings.

- AB 3972 (Areias) Chapter 444, Statutes of 1986, which directed the DGS to administer a state property demonstration project.

State Property Demonstration Project

Pursuant to AB 3972 (Areias), Chapter 444 of the Statutes of 1986, the DGS in 1987 began a state property demonstration project to determine the estimated potential revenues to be generated using a proactive real property management strategy and to develop models for real property management for the State of California. The firm of Deloitte Haskins & Sells, (and its real estate consulting group, Roulac) was selected by the DGS to complete the demonstration project. Roulac analyzed three properties in the metropolitan San Diego area for alternative commercial uses. Based upon their analysis, the consultants estimated that the State could save as much as $7.3 million from one-time transactions, such as sales, and between $4.8 million and $10.8 million annually from uses such as ground lease. Roulac's estimates represented the total estimated gain for only the three properties analyzed, and the consultants pointed out that savings for state properties in the entire San Diego metropolitan area were certain to have been considerably higher.

Roulac recommended that, to properly manage state real property, a new public entity, the California Public Real Estate Development and Management Corporation (Corporation), should be established. This entity would have a five-member governing board, which would include the director of the DGS, two representatives appointed by the Governor and two representatives appointed by the Legislature, as well as an executive director appointed by the Governor and a small permanent staff. The Corporation would be responsible for:

- Acting as a resource for all state agencies regarding space and land utilization, real estate development, and public/private development of state real property;

- Serving as the coordinator among state agencies having real property;
- Negotiating all large-scale real estate transactions;

- Maintaining a centralized computer data base and land inventory of all state real property;

- Reviewing and monitoring real property management plans of all state agencies; and

- Creating revenue from state real property, including surplus property sale or disposal.

It was envisioned that the Corporation would operate with a small permanent civil service staff and would make extensive use of contract consultants and other members of the private sector with expertise in real estate development.

Other Response to 1986 Report

Within the last 12 months, the State's Administration has formally moved to institute a policy of proactive real property management. Executive Order D-77-89, issued by the Governor in June 1989, directed the Governor's Office of Planning and Research to assume responsibility for policy development for and coordination of all state real property operations. The newly established director of the Office of Asset Management, organizationally located within the Office of Planning and Research, was mandated to: assist state agencies in implementing programs for proactive real property management; develop and approve goals, plans, procedures and proposals developed by specific agencies for the proactive management of real property; and work with the private sector to provide information and assistance about opportunities for real property development. The DGS was directed to work with the director of the Office of Asset Management in developing statewide policy goals and establishing a mechanism for verifying the State's real property, including leases.

Other Studies Related to Real Property Management

The Office of the Auditor General recently completed a study of portions of the State's real property management system, and in March 1990, issued its report, "The Department of General Services Needs to Improve Its Management of State Leases and Real Estate." In part, the Auditor General found that the DGS: has not periodically and independently reviewed state properties to determine whether landholding agencies have identified all excess lands, as required by the State Administrative Manual; failed to meet the legislative deadline for implementing the Statewide Property Inventory; and was ineffective in certain aspects of its management of state leases.

The Auditor General finding on excess land is related to the Commission's current study. In a 1983 report on the management of surplus state lands, the Auditor General found that the DGS did not systematically identify excess or surplus state lands. The 1983 report identified 1675.6 acres of excess land held by four state agencies. As a part of its 1990 study, the Auditor General reviewed the status of these excess lands, and found that 559.9 acres (33 percent of the 1983 total), valued at over $65.9 million, still remained in excess of the agencies' needs and had

not yet been disposed of. To correct this problem, the Auditor General recommended that the DGS periodically inspect state lands to identify potential surplus land, and declare to the Legislature properties the DGS finds during its independent reviews to be in excess of state agencies' foreseeable needs.

In August 1990, the Auditor General issued two reports related to real property management. The first report, entitled "A Study of the State's Office Space Facilities Planning Goals, Policies, and Recommendations," was prepared under contract by Institute for Law and Policy Planning, a private firm. This study focused on the State's development plan for the Sacramento Metropolitan Area, with particular emphasis on the area immediately surrounding the State Capitol, and covered issues of financing; lease/ownership options; agency consolidation and location; and public benefit implications. The study's findings that have statewide implications include the following:

- There has not been effective leadership at a high level to ensure that the development plan for the Sacramento Metropolitan Area is implemented;

- The Office of Project Development and Management, responsible within DGS for development of the Capitol area and elsewhere, has limited resources to maintain the plan and virtually no authority to implement it. Control over the capital acquisition process is dispersed and ill-defined;

- The State makes decisions on the space acquisition process in an uncoordinated and piecemeal way. Since there is no central structure to plan, prioritize and construct new buildings or to rehabilitate older buildings, everything is made more cumbersome, more fractured, more difficult and more expensive;

- The procedures for obtaining authority and funding to build are complex, uncertain, and extremely time-consuming. Faced with these procedures, many agency heads opt to lease; and

- Although capital outlay funds have essentially disappeared, the State has made very little use of alternative financing schemes.

The Auditor General's report made several recommendations for improvements that have statewide implications, including:

- The State should establish a high-level policy-making body, composed of representatives of both the Executive and Legislative Branches, to set and oversee development priorities. The composition or structure of this body was not specified except to say that its membership must be at a level where it will clearly have the authority to implement its decisions;

- Planning functions directed towards construction, rehabilitation, or leasing - now divided among competing units within DGS - should be combined to eliminate confusion and inefficiencies. This reorganized office should utilize a comprehensive, computerized data

base for planning and tracking progress of both the overall development plan and individual components;

- The reorganized planning office should have substantial input into, and oversight of, the planning of all facilities, including projects being developed by the Legislature and departments now exempt from DGS control;

- The funding process should be streamlined, when possible, to substantially reduce the time required to construct new facilities;

- After a building project is initially approved, it should not be subject to cancellation or long delays, except in the most extreme and unusual circumstances; and

- The State should consider establishing an independent authority to develop projects free from annual political review once these projects are approved by the Governor and the Legislature.

The second report issued by the Auditor General in August 1990, Report P-660, resulted from a review of the DGS' implementation of the statewide property inventory required by AB 3932 (Chapter 907, Statutes of 1986) and AB 142 (Chapter 638, Statutes of 1987). The Auditor General concluded that the inventory was not fully implemented because the DGS had not yet sent to state agencies for their review and verification detailed printouts of properties owned by the agencies. Further, the Auditor General found that the inventory and another report based on the inventory regarding surplus properties both contained some minor errors. Among other things, the Auditor General recommended that the DGS reconcile the inventory and corresponding surplus property report with records maintained by the agencies holding the properties, and that the DGS correct specific deficiencies identified by the Auditor General.

In addition to the Auditor General studies, a study related to real property management was recently conducted by a government task force. In 1988, the Governor established a State Design and Construction Task Force to review all state responsibilities regarding design and construction. Completed in April 1990, the task force's review covered the State's regulation of the design and construction of buildings and facilities in general, and how the State conducts its own capital outlay process. The task force made several recommendations that are directly applicable to the Commission's current study, including the establishment and use of program-based budgeting processes for agencies with ongoing capital outlay needs; the provision of funding for "up-front" capital outlay planning; and the development of clear definitions and guidelines for capital outlay planning by the Office of the State Architect and others.

Population Growth = Greater Capital Outlay Needs

Addressing capital outlay needs is an integral component of real property management. The effective and efficient management of the State's real property is made paramount in light of the State's growing capital outlay needs. California enters the new decade after experiencing a period of rapid population growth during the 1980s. Recent statistics released by the Department of Finance indicate that California grew at an average annual rate of 2.2 percent during this decade. California added 740,000 new residents between July 1, 1988 and July 1, 1989, the highest number in one year since World War II. The growth rate over this one-year period, 2.6 percent, was the highest annual rate since the early 1960s.

California's population is expected to increase at an average annual rate of 1.8 percent between 1990 and 2000, with the rate of increase gradually falling from 2.6 percent in the current year to 1.5 percent in 1999-2000. By the year 2000, California's population is expected to reach 35 million, an increase of 5.7 million, or nearly 20 percent, since 1990. This population growth will be accompanied by a commensurate growth in capital outlay needs.

California's strong population growth reflects the economic vitality of the State. Historically, the State's economic performance has outpaced that of the nation as a whole, creating the jobs that fuel the immigration to the State. California's superior economic performance resulted from several factors, including its attractive climate, abundant natural resources and its past investments in public infrastructure. These past investments have provided the foundation for sustained economic growth, an educated work force, efficient transportation networks, accessible parklands and other amenities that contribute to the quality of life and make California an enjoyable place to live and work. Like all investments, however, the infrastructure must be protected and maintained to avoid deterioration.

Over the past several years, the negative side effects of population growth and economic expansion -- such as traffic congestion, air and water pollution, and high housing costs -- have commanded increasing attention from state and local policy makers. Whether or not the State will be able to successfully accommodate its future growth will depend in large part on the ability of state and local governments to put in place the public infrastructure necessary to accommodate a growing population.

Substantial Capital Outlay Needs

As described later in this report, the State has developed neither a complete listing of its capital infrastructure needs nor a comprehensive, multi-year capital outlay plan for addressing the needs. It is widely agreed, however, that, regardless of their exact magnitude, these needs are both large and growing.

One general indication of how sizeable the State's infrastructure needs are can be seen from a January 1984 Assembly Office of Research study that focused on "intrinsic infrastructure," which was defined as "eight infrastructure systems without which other vital public services and private commerce could not function -- state highways, county roads, city streets, public transit, sewage systems, water systems, solid waste management, and flood control/drainage systems." The Assembly Office of Research's report concluded that, during the following decade, there would be an estimated $24 billion funding shortfall for these systems under current policies.

An April 1984 report of the Governor's Infrastructure Review Task Force investigated a wider range of infrastructure than did the Assembly Office of Research. The task force defined infrastructure as the State's collective network of facilities (including maintenance) and divided it into three categories:

1. Intrinsic infrastructure (streets, highways, utility systems, etc.).

2. Protective infrastructure (police/fire facilities, prisons, hospitals, etc.).

3. Enriching facilities (educational facilities and parks).

The task force concluded that, over the ensuing 10-year period, approximately $29 billion would be needed for deferred maintenance of existing infrastructure and another $49 billion was needed for new infrastructure at the state and local levels in California. The task force indicated that "... while funding for some of these needs are already in place, an estimated $51 billion shortfall exists."

An important note related to the two 1984 studies is that the identified needs and associated cost estimates were supplied by the affected entities themselves, and therefore may be biased in an upward direction. Nevertheless, the general magnitude of California's capital outlay financing needs certainly must have fallen within the range identified in these two studies.

With few exceptions (most notably prisons and education), little has been done in the past six years to address the needs identified in the two 1984 reports. This conclusion is reached by reviewing the Legislative Analyst's Office's (LAO) January 1990 projections as to the magnitude of infrastructure needs. Figure 1 describes the LAO's projected capital needs from fiscal years 1990-91 through 1994-95, based on information submitted by state departments.

Figure 1

Projected Capital Needs for the State and K-12

1990-91 through 1994-95
(in millions)

	Five-Year Total
Legislative/Judicial/Executive	$60
State/Consumer Affairs	650
Business/Transportation/Housing	4,990
Resources	470
Health/Welfare	160
Youth/Adult Corrections	3,970
Education	8,560
General Government	30
TOTAL	$18,890

Source: LAO estimates, based on information from departments.

As shown in Figure 1, at the state level, there is approximately $18.9 billion worth of needed projects over the next five years. The bulk of the infrastructure needs are concentrated in the areas of education, transportation, and youth and adult corrections. (It should be noted that Propositions 108 and 111, recently passed on the June 1990 ballot, should alleviate some of the needs in transportation.) The LAO concedes that estimates like these have many shortcomings, however, because of the incompleteness of the State's capital outlay planning process, the fact that not all listed projects may actually merit funding, and other factors such as the lack of systematic incorporation of earthquake-related capital improvements.

Financing of Capital Outlay Needs

Determining capital outlay needs is only a first step; action must be taken to fulfill the needs, and funding is required for such action. There are three basic ways that the State's capital outlay projects can be financed:

1. The State can pay "up front" through direct appropriations of state revenues. This method sometimes is referred to as "pay as you go."

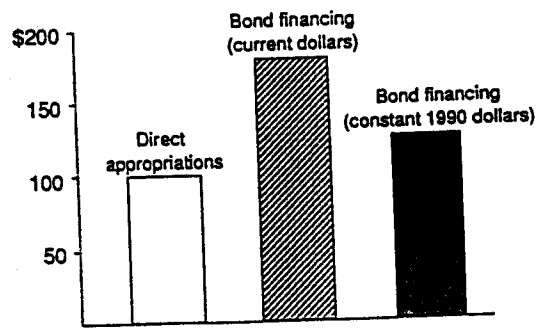
2. The State can rent, lease, or lease-purchase capital facilities from external parties.

3. The State can borrow money to acquire capital facilities by issuing state bonds that are repaid with interest over the years that the facilities are being used. As shown in Figure 2, financing a project with bonds is about 25 percent more costly than directly paying for it (after adjusting for the effects of inflation).

Figure 2

Relative Costs of Bond Financing for a $100 Million Project[a]

(dollars in millions)



[a]Assumes a 20-year bond issue with level maturity structure, an average interest rate of 7.5 percent, and an average inflation rate of 5 percent.

Source: Legislative Analyst's Office

To varying degrees, the State currently uses all of the above approaches to financing its capital outlay needs. Despite its higher cost, though, the State relies most heavily on bond financing for several reasons:

- Given the large volume of infrastructure needs, the State's usual tight budgetary situation (of which the revenue shortfall experienced in fiscal year 1989-90 is an example) and the "Gann spending limit," there simply is not enough money available to rely extensively on direct appropriations.

- Established and reliable renting and leasing markets do not exist for many of the types of infrastructure needs that the State has.

- Since capital infrastructure generates benefits to citizens over many years, it often makes sense to spread their costs out over time amongst these different beneficiaries. This theory sometimes is referred to as "pay as you use."

Taken together, these reasons explain why bonds, despite the interest costs they impose, have been and will continue to be used to fund most of the State's capital outlay needs.

Too Many Bonds?

There is some concern, however, over the amount of bonds that the State has authorized. Because most authorized bonds are ultimately sold, the amounts authorized will eventually help determine (along with the timing of the bond sales) the State's debt level and debt-servicing payments. A consideration must be to not issue so many bonds as to devote an unacceptably high percentage of the State's total budget for debt-service payments and/or jeopardize the State's credit rating. Clearly, one of the criteria considered by bond rating agencies in rating a state's bonds is the amount of debt carried by the state.

As of June 30, 1990, there was about $6.6 billion of General Fund bond debt, including about $5.2 billion of general obligation bonds. There were also about $11.6 billion of existing general obligation bonds that have been approved by the voters but have not yet been sold. General Fund costs for payments on the State's General Fund bond debt were about $700 million

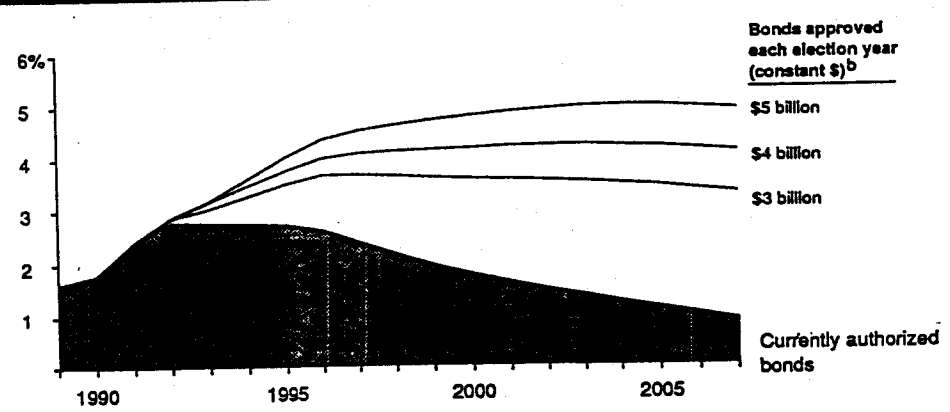
during fiscal year 1989-90. This equalled 1.8 percent of General Fund revenues. The LAO estimates that, as the rest of the authorized bonds are sold, state bond debt will be about $15.8 billion by fiscal year 1994-95, and debt payments as a percent of state revenues will be 3.4 percent.

The LAO contends that there is no evidence at present that California has too much debt, or that it cannot issue considerably more debt without damaging its credit rating or allocating an excessive share of the state budget for debt service. California currently devotes less than 2 percent of its General Fund budget for debt-service payments, has a debt-service ratio which is low relative to other states (which currently average around 4.5 to 5 percent of expenditures), and has the highest credit rating possible from each of the nation's top bond rating agencies. In the view of the LAO, the State currently has considerable room to authorize and issue more bonds without being financially imprudent, and thus can focus on the State's long-term capital outlay needs in making its bond decisions.

To support its claim, the LAO projects that, even if several billions of dollars of new bonds are authorized each election year throughout the next decade and are subsequently sold, the State's debt-service burden will remain relatively modest for many years and remain near, if not below, the current average of other states, even into the next century. Figure 3 shows the LAO's projections.

Figure 3

Projected Trends in the General Fund Debt-Service Ratio Under Alternative Assumptions[a]



[a] *Data shown are for fiscal years ending in years shown. The "debt-service ratio" represents General Fund costs for paying off nonself-liquidating general obligation bonds and lease-purchase revenue bonds, plus net cost of loans prior to bond sales, as a percent of total General Fund expenditures. Projections assume that new and existing-but-unissued bond authorizations are fully marketed within five years and paid off over 20 years at an average interest rate of about 7.5 percent.*

[b] *Constant 1990 dollars. In current dollars, the dollar amounts shown would grow by about 10 percent for each election year after 1990.*

Source: Legislative Analyst's Office

As Figure 3 shows, even if $5 billion worth of bonds were annually approved each election year, the State's debt-service ratio would not exceed 5 percent between 1990 and 2007.

It is interesting to note, though, that bonds appearing on the June 1990 ballot alone totalled approximately $5.1 billion, and that all the bond measures were approved by the voters.

Another $5.8 billion worth of bonds are slated to appear on the November 1990 ballot; if all the bonds are authorized, the LAO estimates that state bond debt will be $20.4 billion by fiscal year 1994-95 and debt payments as a percent of state revenues will be 4.2 percent.

It is this wholesale approval of all bonds on the ballot that cause some, such as the State Treasurer, to urge restraint in authorizing bonds. The Treasurer cautions that the trend of voters has been to approve an increasing amount of bonds each election year, and that the mentality of "buy now -- pay later" has the potential of "saddling our children with a staggering load of debt payments." In addition, there is a concern that the excessive authorization of bonds will cause California to lose its coveted top bond rating, cost taxpayers billions of additional dollars in unplanned payouts on debt, and result in funds being diverted from some state programs to pay for approved capital outlay projects.

In general, it should be clear that caution must be taken in authorizing bonds. Further, the financing of capital outlay projects, which is an integral part of real property management, must be analyzed in-depth during the long-term planning process for the State.

SCOPE AND METHODOLOGY

Since the issuance of its 1986 report, the Commission has periodically held public hearings to identify the latest developments in the State's real property situation and determine what progress has been made in implementing the Commission's earlier recommendations. The hearings were held in June 1988, March 1989, February 1990 and June 1990. The June 1990 hearing focused on the State's method of addressing its capital outlay needs. (Please see Appendix C for the list of witnesses testifying at each hearing.)

In addition to the hearings, Commission staff interviewed numerous individuals involved in real property management in state and local government in California, and interviewed real property managers outside California, including the state of Arizona and the province of British Columbia. (Please see Appendix D for a list of the interviewees). Further, Commission staff reviewed volumes of publications related to real property management, analyzed state laws pertinent to real property management in California, and surveyed state agencies with relatively high volumes of real property holdings to determine the extent of their involvement in real property management.

REPORT FORMAT

In addition to the Executive Summary, this report is presented in three sections, the first of which is this introduction and background. The second section contains the four major study findings and recommendations and the third section includes appendices that give detailed information associated with real property management.

STUDY FINDINGS

FINDING #1 - THE STATE'S ORGANIZATIONAL STRUCTURE FOR DEVELOPING AND IMPLEMENTING A PROACTIVE PROPERTY MANAGEMENT SYSTEM IS INCOMPLETE AND INADEQUATE

The current organizational structure for acquiring, managing and financing real property for the State of California is divided among at least 76 separate administrative agencies. The authority and management structure of these agencies vary greatly and do not necessarily work in conjunction with each other or within a broad statewide structure. Although proactive property management may be followed to some extent in certain agencies, it is not coordinated among all agencies; nor is valuable real estate experience shared among the agencies. Moreover, the current statewide policy-making and property management entity is understaffed while the majority of personnel devoted to property management are located within different agencies. This problem is further compounded by the delegation to various agencies the authority to pursue property management; the delegation is made by the Department of General Services (DGS), the primary central manager of real property, because of a lack of sufficient resources at the DGS. The foregoing policies are diametrically opposed to the effective centralized management of the State's real property, and have led to inconsistent policies, a lack of central accountability and a potential increase in state costs or loss of revenue.

Current Structure for Property Management

As discussed in the Background section of this report, the DGS has significant statutory authority and responsibility to manage much of the State's real property. However, at least 75 other state agencies with relatively high volumes of real estate transactions also perform a multitude of management functions related to real property. These functions vary from agency to agency and may include architectural services, engineering, space planning and alterations, appraisals, real estate acquisition and sales, and lease negotiations. Table 1 shows all of the State's agencies that perform property management functions.

Table 1

State Agencies That Manage Real Property

Department of General Services
Department of Transportation (Caltrans)
Department of Parks and Recreation
Department of Fish and Game
Department of Veterans Affairs
The California Conservation Corps
Department of Forestry and Fire Protection
Department of Mental Health
Santa Monica Mountains Conservancy
State Coastal Conservancy
Department of Housing & Community Development
Department of Food and Agriculture
50 District Agricultural Associations*
California Tahoe Conservancy
California State University
Military Department
Department of Water Resources
Department of Corrections
Department of Motor Vehicles
Department of Developmental Services
Department of the Youth Authority
Employment Development Department
California Highway Patrol
Department of Education
State Lands Commission
University of California
State & Consumer Services Agency**

* The 50 District Agricultural Associations are structured within the Department of Food and Agriculture, but each has independent authority, under Section 3801 et seq. of the Food and Agricultural Code, to hold and manage real property. In total, the 50 associations hold approximately 2,365 acres of property, including 1,182 structures with over 17.5 million square feet of space. These holdings can be extremely valuable as they include properties such as the Del Mar Race Track and Fairgrounds in San Diego County, held by the 22nd District Agricultural Association. As another example of how valuable the holdings can be, the 51st District Agricultural Association formerly held property which was granted to the California State University for extensive development by California State University, Northridge.

** The State and Consumer Services Agency is listed because, organizationally, it houses the 6th District Agricultural Association, which independently owns and leases out the metropolitan Los Angeles property containing the Los Angeles Coliseum, the Museum of Science and Industry, and the Afro American Museum.

The operational and structural mandates for real property management vary greatly among the agencies referenced above in Table 1. The various organizational types include:

- Agencies that have statutory responsibility for particular properties or types of property, and that receive policy direction from an appointed board. Examples of this type include the State Lands Commission, which oversees sovereign lands; Caltrans, which receives policy direction from the California Transportation Commission; and the Department of Fish and Game, which receives direction from the Fish and Game Commission.

- Agencies that have centralized administrative systems that manage each agency's real property to meet its specific departmental mission. Examples of this organizational model include the Department of Corrections, the Department of Developmental Services, and the Department of Forestry and Fire Protection.

- An agency that is highly centralized, owns and manages its own properties, and manages other agencies' properties either by statutory designation or by contract. The DGS is the only agency of this type.

- Agencies that are centralized with no operational or statutory mandate for property management, but to whom the DGS has delegated the authority to perform certain real property management functions including lease management, lease operations, and the technically sensitive area of lease negotiations. The Department of Motor Vehicles and the Department of Justice are examples of this type of organization.

- Agencies that exercise control over their direct holdings, but have little statutory or effective control of the real property held by certain of its components. A primary example of this type is the Department of Food and Agriculture and its relationship to the District Agricultural Associations, which hold property independently of the department.

- An agency that is constitutionally independent or quasi-independent, that pursues its own real property management goals and programs, and that may have little or no contact with other state agencies unless necessary to meet its goals. The University of California is the only agency of this type.

These differing structures have evolved over the years in response to a number of different circumstances. Examples include:

- The University of California holds property separately because it is a constitutionally established agency.

- Caltrans holds rights of way for state highways on the basis of state constitutional mandates, and because of federal and state requirements related to funding of highways.

- The State Lands Commission manages property of various types based on the legal status of sovereign lands granted by the federal government, such as "school lands," or separate grants of the so-called "tidelands," which involve the beds of navigable streams and coastal property from the high tide mark out to the international limits.

- By state statute, the Department of Parks and Recreation holds property to establish recreational or other public-use facilities for the citizens of California.

- The California Tahoe Conservancy and the Santa Monica Mountains Conservancy, each established by statute with its own governing board and funding sources, have also been established to acquire and manage lands for preservation and recreational use.

Each of these agencies is separately funded to perform traditional property management activities, and may have separate budget authority for capital outlay purposes.

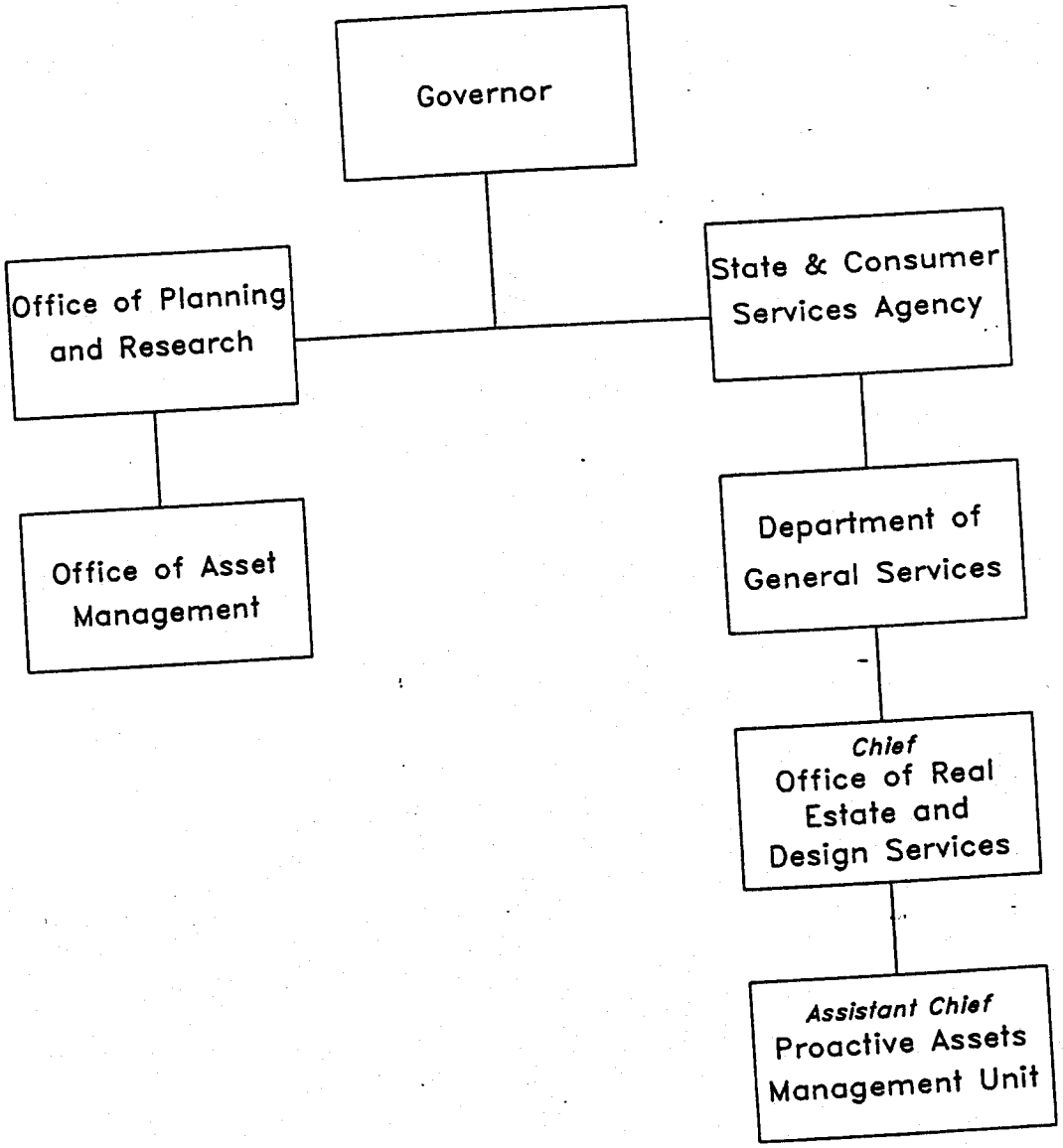
Also warranting special attention is the Office of the State Architect, which is part of the DGS. The Office of the State Architect has a number of important regulatory responsibilities including checking structural and seismic safety plans for public schools and hospitals, and supervising the construction of these facilities to ensure compliance with applicable safety standards. Additionally, the OSA is responsible for reviewing plans and specifications for publicly funded buildings to ensure compliance with requirements for physical handicapped accessibility. Finally, on a case-by-case basis, the State Architect may perform project management functions such as developing conceptual designs, if requested by the DGS' Office of Project Development and Management. The State Architect occupies a somewhat anomalous position since he/she is appointed by the governor and has statutory architectural and engineering authority for state buildings but is administratively subordinate to the DGS. This functional fragmentation and the controversy associated with it has lead to recent legislative proposals to remove the State Architect (and the Office of the State Architect) from the jurisdiction of the DGS.

In addition to the agencies listed above in Table 1, other state entities also have significant involvement in property management. The Public Works Board, established in Section 15770 et seq. of the Government Code, is one such entity and consists of the directors of the Department of Finance, Caltrans and the DGS. The State Treasurer and State Controller also are members of the Board when it hears and decides upon matters related to the issuance of revenue bonds for capital outlay. Further, six members of the Legislature, three appointed by each house, also sit on the Board. The Board is mandated to review and approve preliminary plans for state building construction, review contracting bids, and review the use of state funds for state construction projects. However, the Board has no independent authority for planning the use, acquisition, or financing of real property, and has no independent authority to acquire, hold, manage or develop real property. The Board itself does not have its own budgeted staff, but staffing is divided between the Department of Finance (10 staff) and the DGS (3 staff).

As constituted, the Public Works Board essentially acts as a final check point and authorizing entity for the acquisition of real property by administrative agencies. As such, it is the only single entity that is involved in reviewing the decisions for and financing of real property acquisitions.

An entity with significant involvement in real property management is the Office of Asset Management (OAM), which was established in July 1989 by Executive Order D-77-89. The OAM has been designated by the Governor to assume responsibility for the development of policy and the coordination of operations related to all state-owned real property. As Figure 4 shows, however, the director of the OAM is housed within the Governor's Office of Planning and Research, but the working staff designated to carry out the OAM's activities (the Proactive Asset Management Unit) is structured within the DGS' Office of Real Estate and Design Services.

Figure 4
Organization Chart for the State's Policy Making
and Operations Coordinating Body for Real Property Management



The bifurcation of the OAM results in potential problems: Because the OAM is split between two separate agencies, policy and program development are dependent on very close coordination. This coordination can be difficult to achieve because the staff of the OAM is under the day-to-day supervision and control of the chief of the Office of Real Estate and Design Services, who reports to the director of the DGS rather than the director of the OAM. To further mitigate its effectiveness, the staff devoted to the OAM totals only 4.5 positions, even though they are responsible for verifying the Statewide Property Inventory and developing regional real property plans for the metropolitan areas of San Francisco, Los Angeles, Sacramento, and San Diego/Orange counties. Moreover, the OAM has no legal authority or mandate to compel agencies to follow cohesive strategies for real property management even if such strategies are developed. Thus, neither the OAM nor the DGS can effectively act as a statewide management or oversight agency.

State Resources Devoted to Real Property Management

A Commission survey of agencies with major roles in real property management revealed that significant personnel and administrative resources are devoted to the management of the State's real property. The survey asked for information including:

- For fiscal year 1989-90, the total number of staff, by classification, who engage in real property management functions.

- For fiscal year 1989-90, the total operational costs incurred by each agency for real property management functions.

The staffing and operational cost information supplied to the Commission by the agencies responding to the survey is displayed in Table 2.

Table 2

Agency Staffing and Resources
Devoted to Real Property Management
Fiscal Year 1989-90

Agency	Staff*	Operational Costs**
Education	3.0	$ 1.5
Tahoe Conservancy	9.8	951.0
Military	2.0	174.0
Parks & Recreation***	274.0	1,577.0
Food & Agriculture	2.3	1.0
Transportation	29.2	1,660.0
Highway Patrol	20.0	726.5
Veteran's Affairs	1.2	NA
California State University	NA	NA
Boating and Waterways	NA	NA
Motor Vehicles	5.2	306.0
Water Resources	5.5	463.0
Youth Authority	2.8	166.7
Coastal Conservancy	1.3	76.4
Employment Development	10.0	1,287.3
Forestry & Fire Protection	4.5	34.0
State Lands Commission	76.0	7,875.0
Fish & Game	84.0	3,600.0
Developmental Services	NA	NA
Mental Health***	26.0	343.0
Subtotal	556.8 (79%)	$19,242.4 (66%)
General Services	149.8 (21%)	10,087.0 (34%)
Total	706.6 (100%)	$29,329.4 (100%)

Note: Where "NA" is shown, the agency indicated that it was unable to supply information. Also, the University of California, California Conservation Corps, Santa Monica Mountains Conservancy, Department of Housing and Community Development and the Department of Corrections did not respond to the Commission's survey.

* All staffing figures are expressed in personnel years.

** All budget figures are in thousands.

*** Information submitted by these agencies indicated that their staff are not devoted full-time to real property management.

As shown in Table 2, exclusive of the DGS and the non-responding agencies, which included the University of California, California Conservation Corps, Santa Monica Mountains

Conservancy, Department of Housing and Community Development and the Department of Corrections, the State annually devotes to real property management a minimum of 557 staff years with more than $19 million in operational costs. Including the DGS, the State devotes over 700 staff with operational costs exceeding $29 million.

The figures in Table 2 also serve to illustrate the confusion and vagueness surrounding the resources the State devotes to real property management. For example, the Department of Parks and Recreation indicates that 274 of its staff are engaged in real property management with operational costs of $1.58 million, but that not all of these personnel perform real property management functions full-time. Caltrans, on the other hand, indicates that only 29.2 of its staff perform real property management functions with operational costs of $1.66 million. Such obvious discrepancies between staffing and operational costs indicate a lack of knowledge or confusion on the part of some agencies regarding the actual extent of their involvement in real property management.

Many other agencies with significant real property holdings, such as the Department of Developmental Services and the California State University, do not or cannot even calculate the amount of staff and resources that they direct to real property management. Further, many agencies "bury" property management costs under related budget items, and assign property management functions as an undefined portion of "other duties" for agency staff.

"Highest and Best Use" of Real Property

The State's diverse management and operational systems for real property can lead to a wide variety of uses for the property based on each agency's understanding of its own operational mandate, and on the interpretation of the "highest and best use" of real property to meet that mandate. Most agencies view real property management as a secondary function that is only distantly related to the primary purpose or mission of the agency. Therefore, these agencies define the "highest and best use" of their holdings based on their shorter-term operational needs and legal constraints.

In general, state properties can be divided into four categories based on their use and the method of their acquisition. The categories are:

Operational properties - These properties are held by most property-holding agencies of the State, and can be further divided into two subcategories: recreational properties, which are public trust lands such as parks, wildlife refuges and other recreational holdings; and administrative holdings such as office buildings, warehouses and garages, which are usable by many agencies. Also included as operational property is airspace in operating rights of way.

Institutional properties - These properties are held by institutions such as state prisons, hospitals and universities, for the institutions' single purposes that may not be compatible with any other use. "Buffer" property on the perimeter of such institutions, however, may be suitable for purposes (such as dry farming, parkland, or golf course) other than immediate institutional uses.

Sovereign lands - These are lands acquired by the State from the federal government for a particular use or purpose. They include: "school lands," which were originally deeded to the State for the support of public education, and currently are used to help fund the State Teacher's Retirement System; and

"tidelands," which are the beds of "navigable watercourses" and coastal properties from the high tide mark out to the three-mile international limit. Tidelands are meant to be preserved for the future, or "marine uses" if developed. The State's sovereign lands are managed by the State Lands Commission, which also oversees the specialized extractive development of mineral resources on state lands, as well as management and operations of the Long Beach tidelands oil operations. To carry out these latter duties, the Commission has an Extractive Development Division, comprised of oil and gas development experts, to negotiate or operate needed leases. Many of the properties used for the exploitation of oil, gas and mineral resources have significant operational restrictions on their use for anything other than extraction.

Operating rights of way - Primarily held by Caltrans and the Department of Water Resources, this category includes the States' highways, roads, aqueducts, dams and water projects. Funded in part by federal monies, many of these properties have significant legal and operational restrictions on their use for any purpose other than their primary purpose.

Currently, there is no uniform definition of the "highest and best use" of any given real property; given the diversity of state holdings, it may not be practical to have a single definition. More importantly, however, is the fact that there currently is no consistent attempt to determine the "highest and best use" of a given property, based on the property's type and the holding agency's needs.

This lack of consistency can lead to a wide range of property uses that may not be traditionally associated with government agencies. For example, the State Lands Commission has leased out property, in San Mateo and Orange counties, on which two waterfront hotels[1] are built, but continues to own undeveloped waterfront parcels in downtown San Diego and elsewhere.[2] The California State University's Northridge campus has entered into a joint public/private development agreement that includes the construction of dormitories, a student center, a media/performing arts center, a hotel and commercial office space on campus property. The Department of Corrections leases out "buffer" lands around its prison facilities for dryland farming. Each of these uses is justified by the landholding agency as being the "highest and best use" of its property, consistent with agency operational mandates.

Effects of Current Organization

The effects of an inadequate and incomplete organizational structure are difficult to quantify. Without a central agency responsible for evaluating or identifying real property management needs, it is difficult to identify current, much less lost, opportunities. One effect, however, is clear. During the last several years, the DGS has, by interagency agreement, delegated to at least four agencies (Department of Motor Vehicles, Department of Industrial Relations, Department of Consumer Affairs and the Department of Justice) the authority to perform property management functions including lease management, lease operations, and the technically sensitive area of lease negotiations. These delegations were made because the DGS lacks the staffing and operational resources

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1 *The Embassy Suites in San Mateo County and a hotel in Orange County not yet occupied.*

2 *It should be noted that the State Lands Commission currently is negotiating with a developer to erect a third hotel on waterfront property in San Mateo County.*

necessary to perform these functions. The effect of delegating authority to these agencies, however, is that decisions involving the State's real property are being made by managers and staff who do not possess the appropriate skills and depth of knowledge of real estate laws and financing. Further, decisions are made without considering other agencies' needs or efforts.

Another adverse effect of the decentralization of property management is a lack of action by some agencies based on their belief that proactive real property management plays no role in carrying out the agencies' missions. To illustrate this attitude, the deputy director of a major property-holding agency stated to Commission staff that "[i]t's not the department's mission to manage real estate," and that proactive management could "create an undesirable competition" between the endeavor to carry out the department's mandate and the objective of generating a cash flow for program use. This attitude, which is held by many of the State's property-holding agencies, results in the inconsistent application of policies, and in real estate decisions being driven by operational policy concerns that may not be consistent with sound real estate practices.

Comparative Models of Real Property Management

Other states and governmental entities have developed organizational structures in an attempt to achieve the effective, proactive management of real property. The Commission's survey of various governments' real property management practices disclosed the following range of alternatives:

- A decentralized structure based on the type of property managed;
- A bifurcated system divided by the type of property managed and by the method of selecting the persons responsible for real property management;
- A centralized system that contracts its services out to other entities; and
- An independent, public corporation that is responsible for government operations, but that operates on the same assumptions and uses the same business practices as a private company.

The following are examples of structures that have been successful in the proactive management of real property:

Arizona - Real property management in the State of Arizona is divided between two entities:

1. The Arizona State Lands Department, which manages undeveloped state lands, surplus state lands, and lands deeded to the state by the federal government; and

2. The Department of Administration, Division of Central Services, which provides offices and other facilities for state administrative agencies.

The Department of Administration, Division of Central Services essentially acts as a custodial and processing agency, while the Arizona State Lands Department is responsible for maintaining the property inventory of all state lands, appraising the lands, evaluating the appropriateness of the use of the lands, and determining if the lands are being used efficiently. The Arizona State Lands Department has the authority to jointly develop or to sell state land if it determines that development of the land for private use, and the consequent state revenue by either lease or sale,

is most appropriate. In at least one instance, it has jointly developed a piece of unimproved property after installing the necessary infrastructure (roads, sewers and water).

Texas - The management of state agencies' office space, including space planning, leasing and construction, is handled by the Facilities Construction and Space Management Division of the State Purchasing Commission, which reports to the Governor. The management of state lands is the responsibility of the General Land Office, which is headed by an elected official and is largely independent of the Governor. The General Land Office is required to: appraise and evaluate the use of all state lands; appraise and determine the "highest and best use" of the properties; and recommend property disposition, including transfers between agencies, the sale of property, and/or the development of property. If a property is to be let for private or joint development, the General Land Office is authorized to participate in the development on behalf of the state. Revenues from the sale, lease or development of state lands accrue to the state's Capital Trust Fund, which is used primarily, but not exclusively, for capital investments.

New York - The management of the State of New York's real property is handled by several "Groups" within the state's Office of General Services. The Design and Construction Group oversees all construction projects, and the Facilities Operation Group is in charge of the day-to-day management of all storage space. Most real estate management functions, however, are the responsibility of the Real Property Planning and Utilization Group, which is further divided into the Division of Land Utilization and the Division of Space Procurement and Allocation.

The Division of Land Utilization is responsible for the management, acquisition and disposition of state lands. Based on the type of property disposed, proceeds from the sale or development of state lands often go to a variety of special accounts for real property management. Proceeds are not necessarily returned to general revenues or to the operational funds of the agency formerly holding the property.

The Division of Space Procurement and Allocation is responsible for reviewing and approving space allocation requests by administrative agencies, determining if state-owned or leased space is needed, and overseeing projects built by the private sector for lease to the state.

In addition to the Office of General Services, there are a number of state agencies that are authorized to assume the above-mentioned responsibilities for their own property. These agencies include the Port Authority of New York and New Jersey, the Department of Conservation, the Department of Corrections, the Department of Parks and Recreation, the Department of Mental Health, and the state's universities.

Los Angeles County - In general, responsibility for the management of real property held by Los Angeles County is divided among several agencies:

- The county's various redevelopment agencies oversee neighborhood redevelopment within their respective areas;

- The County Administrator's Office is charged with negotiating and overseeing the leasing out of properties and the development of properties with public or private entities. To this end, in 1983, the county sponsored legislation that resulted in a state law allowing all counties to let, for up to 99 years, property to public or private entities (Chapter 1136, Statues of 1983; Section 25515 et seq. of the Government Code). The County Administrator's Office employs a small core staff and relies extensively on contracting with outside experts for specialized services.

- The Los Angeles Community Development Commission oversees community development projects in various parts of the county. The Commission employs a small core staff that markets its services to local and state government agencies to provide the agencies with the expertise necessary for real property planning and development. However, the Commission also contracts with outside experts for specialized services.

- The County Department of General Services conducts space planning, allocation and leasing for most county agencies.

British Columbia - In 1976, the province of British Columbia created a public corporation entitled the British Columbia Buildings Corporation (Corporation). The Corporation is mandated to provide for offices and certain other property needs for the province's various ministries, and replaced the Ministry of Public Works in that capacity. The Corporation is governed by a Board of Directors comprised of 9 public members, which appoints a Chief Executive Officer to run the day-to-day operations of the Corporation. By custom, but not by statute, the Chief Executive Officer is appointed as one of the members of the Board.

The Corporation is required by law to charge market rates for all leases and services to its client ministries. The Corporation provides all property management services, including: space planning and allocation, long-range planning, fiscal and needs analysis, leasing, construction development and management, and day-to-day management of all real property. Part of the net revenues generated through the Corporation's management of real property goes to the provincial Treasury, and some earnings are retained by the Corporation to fund development needed in the future.

Through the centralization of property management functions and staff, the Corporation achieved greater efficiency in carrying out its responsibilities. In 1976 and the years immediately following, a total of 2,007 real property management positions in various government ministries were functionally consolidated in the Corporation. As of October 31, 1989, the Corporation had 799 authorized positions; by March 31, 1991, it expects to have only 776 authorized positions to provide the full range of real property management functions.

Each of the comparative models described above, though different in structure, have in common certain elements that may contribute to their success. These elements include a central management to determine property holdings and future needs, and the authority to meet the future operational needs of the agency by either developing new facilities or providing revenues.

Conclusions

In light of the magnitude of the State's real property holdings, the current organizational structure for managing the State's holdings is incomplete and inadequate. Under the current structure, there is no cohesive, overall management control over the State's real property; rather, there are 76 agencies, with more than 700 staff and more than $29 million in operational costs, that independently perform real property management functions. Rather than allowed to be fragmented, these staff and resources need to be consolidated and coordinated to ensure the most efficient management of the State's property. Further, the current structure does not encourage a philosophy of proactive real property management; instead, there may be as many different philosophies as there are agencies that perform real property management functions. If the State is to ensure that its real property is managed effectively, its structure will need to be substantially

altered so that, where possible, operations are consolidated in a central administrative structure, effective real property management goals are defined and adhered to, and proactive real property management is consistently performed when warranted.

Recommendations

1. Because the Public Works Board is the only existing state entity that has oversight for all property acquisitions, including their financing, and that has ties to the State's Legislature, budget department, accounting department, treasury, and major property-holding agencies, the current authority, mandate and composition of the Board should be significantly expanded to make it the central administrative organization for the State's proactive real property management activities.

2. The revised Public Works Board should be responsible for the management of all the State's real property, except operating rights of way for transportation and water resources; the management of air space should be the Board's responsibility. The Board's property management responsibilities should include long-range planning, appraisal, acquisition, financing, day-to-day management, construction planning and oversight, disposal of excess property and joint development with public or private agencies. In addressing the development of sovereign lands, the Governor and the Legislature should invest the revised Public Works Board with sole authority for all types of development, extractive and otherwise. Alternatively, out of political necessity, the Governor and the Legislature may wish to give the current State Lands Commission delegated jurisdiction over extractive resources development, subject to the prior review and approval of the Public Works Board.

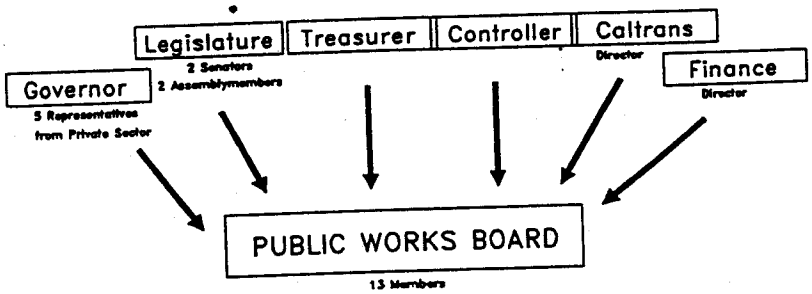
3. To be most effective, the revised Public Works Board, as the central administrative organization for the State's proactive real property management activities, should have representation from the State's Legislature, fiscal agencies, and transportation department (which holds property that is both under and outside the jurisdiction of the revised Board, and which currently has significant staff involved in real property management). Further, the revised Board should have representation from the private sector which has expertise in the proactive management of real property. A recommended composition for the revised Board:

   - Five Public Members (including the Chair), appointed by the Governor
   - Director of the Department of Transportation
   - Director of Finance
   - State Treasurer
   - State Controller
   - Two Senators, appointed by the Senate Rules Committee
   - Two Assemblymembers, appointed by the Speaker of the Assembly

   Figure 5 illustrates a recommended composition of the revised Board and its responsibilities.

Figure 5

A RECOMMENDED COMPOSITION OF THE REVISED PUBLIC WORKS BOARD



RESPONSIBILITIES SHOULD INCLUDE:

- Long-range Planning
- Appraisal
- Acquisition
- Financing
- Day-to-day Management
- Construction Planning and Oversight
- Disposal of Excess Property
- Joint Development with Public or Private Agencies

4. The Public Works Board should have an independent staff that is headed by a Chief Executive Officer who serves at the pleasure of the Board. The staff should be organized into a Planning Division and a Real Property Management Division.

As later described in Finding #2, the State's system of planning for its long-term real property and capital outlay needs is fragmented and incomplete. To consolidate and coordinate the State's staffing and resources devoted to planning for the State's real property and capital outlay needs, the Planning Division's staffing should include the staff currently in the Department of Finance's capital outlay unit, the staff currently in the Department of General Services' Office of Project Development and Management, the staff currently in the Office of the State Architect responsible for state facility design and engineering, and the staff currently responsible for operating and maintaining the Statewide Property Inventory now housed within the Department of General Services' Office of Real Estate and Design Services. The Planning Division's responsibilities should include:

- Ongoing maintenance and operation of the Statewide Property Inventory (SPI);

- Identification of the use and nature of all state property, the determination of the extent and limitation of holdings, and the determination of the amount of resources used to manage all holdings;

- Consideration of long-term property needs in determining real property management goals and "highest and best use" criteria on both a statewide and individual agency basis;

- Review of all agencies' real property use and capital outlay plans in the context of the State's overall needs, and the development of a priority ranking of all projects;

- Preparation of conceptual designs and cost estimates for proposed projects;

- Preparation of long-range real property management and development plans in conjunction with administrative agencies, consistent with the real property use and capital outlay plans of the agencies; and

- Annual preparation of a multi-year capital outlay master plan, (to be submitted to the Legislature as a supplement to the Governor's Budget), that is a compilation of the plans prepared in conjunction with administrative agencies and that includes a relative priority ranking of all projects identified in the agencies' plans.

To consolidate and coordinate the State's staffing and resources devoted to real property management functions, the Real Property Management Division's staffing should include the staff currently in the Department of General Services' Office of Real Estate and Design Services, less the SPI staff assigned to the Planning Division, as well as the Department of General Services' Office of Building and Grounds and Office of Energy Assessment. In addition, designated real property management staff from each of the departments that currently manage large amounts of real estate should transfer to this division. Some staff should remain in each of the departments to act as liaison with the Board's staff and to perform specific technical analysis and design. The Real Property Management Division's responsibilities would include:

- Development of and adherence to a strategic and systematic program for managing all of the State's real property under the Board's authority;

- Appraisal, acquisition, disposition, and management of properties for state uses, except the appraisal, acquisition, relocation and clearance operations required as part of the actual right of way projects;

- Development of proposals for the use of property, for consideration by the Board;

- Proactive management of real property -- directed to the maximum use of all property holdings including, where appropriate, the development of uses that generate income without violating public trust policies;

- All aspects of the leasing of private property for state use, and the letting of state property for other public or private use; and

- Identification of means of accountability and establishment of appropriate controls at the administrative agency level and Board level.

Administrative staff for the Board should be transferred from administrative staff currently associated with the Department of Finance's capital outlay unit and staff currently associated with the Department of General Services' Office of Real Estate and Design Services and Office of Project Development and Management.

Outside expertise in specialized areas (such as development surveys, legal work, etc.) should be contracted for by the Board and paid for out of operating funds.

5. In developing a strategic and systematic process for managing the State's real property, the revised Public Works Board should establish "highest and best use" criteria. The criteria should differentiate among the various types of real property:

- For operational property that is classified as administrative (office buildings, warehouses, garages, etc.), highly proactive management policies should be developed to ensure that existing holdings are being put to their "highest and best use," and to determine if they can be used to satisfy priority needs. Policies should be directed to maximize revenues, so long as public trust considerations are not neglected.

- For operational property that is classified as recreational (public trust lands such as parks, wildlife refuges, docks, etc.), custodial management may be sufficient to the extent the property is used for its intended purpose. However, policies should be developed to encourage departments to look for opportunities for other land uses that could complement, to the benefit of the public, a property's intended use.

- For institutional property (such as state prisons, hospitals and universities), custodial management may be sufficient to the extent that the property is used for the specific purpose of the institution. However, a more proactive management stance should be adopted if an institution has lands that generally are used as a "buffer." The Board should require each institution to identify the minimum amount of property required for its operations, and require each institution to justify the continued use or ownership of each of its property holdings that is not specifically used in connection with institutional operations.

  It should be noted that, in recognizing the potential for an institution's growth, the best alternatives may not be just those that are the most lucrative in the short-term.

- For sovereign lands such as proprietary lands, school lands and "tidelands," a proactive management stance is warranted subject to the statutory limitations on the use of such lands. For example, a proactive approach should be used particularly in cases in which property is exchanged, in which event opportunities for program uses or revenue generation may be available.

6. Revenues generated by the revised Public Works Board's proactive real property management programs should be used to cover the Board's operating costs, including personnel incentives. Remaining revenues should be set aside for future projects and costs so that the Board can ensure its self-sufficiency. In addition, some of the net revenues should serve as an incentive for the agencies whose lands are being proactively managed, and some of the revenues should be used for the benefit of all agencies. The revised Public Works Board should determine the optimal allocation formula for the revenues remaining after covering the Board's operating costs. One example:

- 60 percent retained by the Board for future capital outlay projects and costs;

- 20 percent to agencies whose original properties have generated revenue; and

- 20 percent to the General Fund.

The revenues that are allocated to agencies should be deposited in a special fund for each agency, and should be subject to each agency's discretionary use outside of the normal budgeting process.

FINDING #2 - THE STATE'S SYSTEM OF PLANNING FOR ITS LONG-TERM REAL PROPERTY AND CAPITAL OUTLAY NEEDS IS FRAGMENTED AND INCOMPLETE

Although the State has significant real property holdings and enormous capital outlay requirements, its system of long-term planning does not include a comprehensive listing of all its real property and capital outlay needs, a priority ranking of those needs and a master plan to address those needs. Moreover, the State lacks a systematic method of evaluating how existing real property might be used to satisfy current capital needs. Instead, the State's system is closely linked to its budget process, which reviews needs in the context of individual departments rather than on a statewide basis. In addition, the system for long-term planning does not consistently consider the infrastructure needs of existing facilities. Thus, when the State annually appropriates or authorizes bonds to generate billions of dollars to finance property purchases and capital outlay projects, it does so without a comprehensive, multi-year plan. Further, the State's system does not adequately address the needs of the State and ultimately could cost the State millions of dollars in lost opportunities and adversely affect its credit rating.

Current System of Planning

The current system of planning for real property and capital outlay needs begins with individual state agencies. Most agencies are responsible for identifying their own capital needs and are required to submit to the Department of Finance (DOF) and the Legislative Analyst's Office a 5-year capital outlay plan. Any agency with the authority to acquire real property submits to the DOF a package of information for each proposed real property acquisition; the information must include a detailed analysis of the acquisition project and its relationship to the department's 5-year plan. Also, for each capital outlay project, an agency is required to submit to the Department of General Services' Office of Project Development and Management (OPDM) a "Project Planning Guide," which includes a detailed analysis of the project and its relationship to the 5-year plan; the OPDM reviews it for management feasibility. The OPDM works with each agency to refine the Project Planning Guide that is submitted by the agency to the DOF, which evaluates it for workload considerations, compliance with established policy and fiscal feasibility. If the DOF requires changes, it returns the Project Planning Guide to the submitting agency for revisions. If the DOF approves the guide, it forwards the guide to the OPDM which then prepares a budget package for the project. Once prepared, the budget package is submitted by the OPDM to the DOF which reviews the package in the context of the agency's overall budget and determines if there is enough money available to fund the project. If the DOF approves the package, it is added to the Governor's Budget. If it disapproves the package, the DOF returns the package to the OPDM with its reasons for disapproval.[3]

The capital outlay process described above does not apply to any transportation or water projects, new prison construction projects for the Department of Corrections, and projects for the University of California and the California State University. These projects are handled by other means. For example, for the last 13 years, the Department of Transportation's (Caltrans) capital outlay program has been incorporated in a document called the State Transportation Improvement Program (STIP). The STIP is a 5-year plan that includes all of the States' transportation projects

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[3] *The planning system did not always involve the OPDM. In 1986 the OPDM was created by administrative action. Prior to its creation, the OPDM's project management and capital outlay duties were carried out by the Office of the State Architect.*

and their estimated funding needs. The STIP is updated and adopted annually by the California Transportation Commission, and considers the State's changing transportation priorities and fluctuating estimates for revenues and costs. For a more detailed description of the STIP process, please see Appendix E.

The California State University (CSU) also has a unique planning process for capital outlay. The process is based on the capital outlay plans of individual campuses, which are tied to a 5-year development plan for the entire CSU system. The system-wide plan includes a priority ranking of all projects, and is tied to a long-range (15-year) Academic Master Plan, which is based on enrollment demographics, curricular development, and maintenance and replacement schedules for physical plant. The CSU's planning system, like Caltrans' STIP, incorporates both capital needs and funding into its process.

Current System Encourages Fragmentation

In developing a plan to address its property and capital outlay needs, an agency may not be aware of the availability of real property already owned by another agency. Thus, one agency could decide to purchase land and construct a building to meet its expansion or operating needs even though suitable building space or land owned by another agency is available for lease. Also in developing plans, agencies with particular property or capital outlay needs do not coordinate with other agencies with similar needs. The OPDM and the DOF are in positions to coordinate activities among the various agencies, but there appears to be little actual coordination.

The fragmentation that exists when each agency develops its own plan is perpetuated by the fact that neither the DOF nor any other agency reviews real property or capital outlay projects in the context of all projects identified by all state agencies. Further, neither the DOF nor any other agency prioritizes each proposed project in relation to all projects from all programs. Finally, neither the DOF nor any other agency combines all of the individual department plans into a master plan for the State. Thus, there is no comprehensive listing of all the State's real property and capital outlay needs, no priority ranking of those needs and no master plan to address those needs.

Logic of A Master Plan

It is mandatory that all relevant information be made available for analysis if sensible and competent managerial decisions are to be made. In that vein, it is imperative to know the availability of resources before committing expenditures. Given this logic, it is difficult to see how sensible and competent decisions can be made relevant to planning for and financing real property and capital outlay needs without first identifying, analyzing and prioritizing all needs as a whole.

The State of Maryland apparently subscribes to this logic. Not unlike California's current situation, Maryland found itself authorizing large amounts of bonds in the 1970s. Concerned about its increased rate of authorization, Maryland developed a Capital Affordability Committee, which is responsible for analyzing the state's existing outstanding debt, determining what level of tax-supported debt the state can afford and issuing an annual report on "Recommended Debt Authorizations." Maryland uses the report in developing a priority list for all of the state's projects and in projecting the state's 5-year capital expenditure budget. Under this strategy, Maryland systematically determines what it can afford and how it will spend its money based on established priorities.

There have been legislative attempts in California to require a comprehensive inventory of the State's capital outlay needs and a corresponding plan to address those needs. In the 1987-88 legislative session, Senate Bill 2705 and Senate Bill 2214 were introduced, calling for 5-year capital outlay master plans for state agencies. SB 2705 required master plans from nine state agencies while SB 2214 was all inclusive. SB 2214 was agreed to be the vehicle for advancing the idea of a master plan, won passage with bipartisan support in both houses, but was vetoed by the Governor. The veto message for SB 2214 stated, in part:

> "Existing administrative procedures already require that agencies requesting capital outlay appropriations provide a five-year plan to the Legislative Analyst and the Department of Finance. The information provided annually is sufficient to complete a picture of the state's capital outlay needs. These specific plans are annually compiled in my Governor's Budget Summary in a chart entitled "Rebuilding California".... Any necessary background is available from the departments for the Legislature.
>
> Those departments that are engaged in long-term construction programs, such as Caltrans and the Department of Corrections, currently prepare and submit five-year plans to the Legislature. As other long-range building programs surface, they may be subjected to similar requirements.
>
> Finally, I am concerned with the large number of bills requiring plans and reports. To the extent that resources budgeted for a specific purpose must be diverted to prepare these studies, program goals cannot be achieved."

In the current legislative session, SB 348 (Alquist) and SB 1825 (Beverly) have been passed by the Legislature and are awaiting the Governor's action at the time of this writing. SB 348 essentially is a re-introduction of language contained in SB 2214, and would require that the State's master plan for all agencies' capital outlay projects contain the following with respect to each project:

- General location.
- Estimated cost.
- Anticipated funding source or sources. (In addition, the bill would require the plan to disclose, for each agency, the total amounts for each type of financing source proposed.)
- Estimated maintenance and operational costs.
- Priority with respect to other projects for each year in the first, second, and third year.
- Projected time frame for completion.

SB 1825 is a similar measure except that its requirements for a capital outlay plan are not "project specific" as are those outlined in SB 348; rather, SB 1825 focuses on the identification of the aggregate financing needs of major budget areas, such as higher education. Further, SB 1825 would require a 10-year plan instead of a 5-year plan.

With these differences in mind, however, SB 348 and SB 1825 are compatible in that they seek to require a systematic approach to planning for the State's long-term capital outlay needs. The fact that each bill focuses on separate weaknesses would not prevent them from being easily merged.

Current System Leads to Inefficiency

Without a master plan to address the State's real property and capital outlay needs as ranked according to statewide priority, it is unlikely that California is addressing those needs in the most efficient and effective manner. Further, it is difficult for the Governor and the Legislature to make informed policy decisions related to real property and capital outlay expenditures. Although it is difficult to identify actual lost opportunities, it is clear that there is a potential for inefficiencies and ineffectiveness.

One actual example of lost opportunity caused by the current system of planning, as well as the current organizational structure described in Finding #1, is found in the State's Capitol Area Plan (CAP). In the late 1970s, the Governor and the Legislature enacted Section 8160 of the Government Code, which established a plan (the CAP) for the optimal use of state-owned land in a 44-square-block area surrounding the State Capitol. The Plan's goals were expressed in terms of physical space, such as square feet of owned office space compared to square feet of leased office space, rather than in terms of costs or funding. As part of the CAP, existing state-owned housing, as well as potential housing locations, identified within the CAP boundaries were turned over to a newly created Capitol Area Development Authority (CADA) on a 66-year lease. One consideration is that the land leased to the CADA has deprived the State of land needed to construct office facilities and relieve the State's office facility shortfalls. Had a realistic, updated plan been available, the State might not have lost the option of use for the properties leased to the CADA.

In November 1989, a letter from the Legislative Analysts' Office (LAO) to members of the Legislature concluded that the implementation of the CAP had fallen short of its original goals. The LAO noted that the CAP had never been updated and that, in particular, the percentage of state-owned office space had decreased since 1977 while total leased space had doubled. The LAO further noted that annual leasing costs had increased more than five times during the same period. The LAO letter has led to an Office of the Auditor General study of the State's systems of setting policies and goals, and planning, for office space and facilities. Although the study focuses on the CAP, the conclusions and recommendations have statewide implications. These conclusions and recommendations are outlined in the Background section of this report, but some have specific capital outlay and planning applications. These include recommendations that: the funding process should be streamlined, when possible, to substantially reduce the time required to construct new facilities; after a building project is initially approved, it should not be subject to cancellation or long delays, except in the most extreme and unusual circumstances; and the State should consider establishing an independent authority to develop projects free from annual political review once those projects are approved by the Governor and the Legislature.

The failure to fully implement the CAP points out the potential for inefficiencies under the current system of planning for the State's real property and capital outlay needs. This potential is made more ominous in light of the magnitude of the State's real property holdings. As described in the Background section of this report, and shown below in Table 3, the State's property holdings are significant.

Table 3
Property Held By the State of California
As of August 10, 1990

Property Type	Number of Sites	Acres/Square Feet
Land (owned)	3097	2,184,885 acres
Structures (owned)	18,633	157,460,403 sq. ft.
Structures (leased)	2124	14,057,302*

Note: The figures above do not include:
- Property controlled by the Legislature
- Caltrans rights of way and excess land
- State sovereign lands
- K-12 school lands

* This figure does not include leases that could not be delineated by square feet. For example, it does not include 523,086 parking spaces measured only by number of spaces.

Source: Statewide Property Inventory and Department of General Services Summary of Leased Property as of August 10, 1990.

The figures in Table 3 serve to point out the immense potential for savings to the State through a more efficient use of state properties. A glimpse of this potential is given in the results of the state property demonstration project created by Chapter 444 of the Statutes of 1986, the law based on the Commission's 1986 report on property management. The project, which was completed in 1988, included the analysis of three properties in the metropolitan San Diego area. The resultant report[4] conservatively estimated that, through the commercial use of the properties, the State could save as much as $7.3 million from one-time transactions, such as sales, and from $4.8 to $10.8 million annually through alternative uses, such as ground leases.

Inflexibility of Current System

The State's current system of planning for its long-term needs is inflexible to the point that it cannot effectively address the unplanned needs of its existing facilities; the process is geared toward addressing the need for new facilities. For example, on December 7, 1983, a fire occurred in the State Office Building in Los Angeles. Among the items damaged in the fire were two "air handling equipment units," which are facility components that control, among other things, the building's air blowers for heating and air conditioning. On January 3, 1984, $550,000 was redirected from facilities operations to clean up some of the fire's less expensive damage, such as smoke damage and debris. Records indicate, however, that it took approximately 10 to 12 months before work began on the air handling equipment units; the delay was caused by the unavailability of funds for such a large project. Such a project had to go through the usual capital outlay

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4 *"State of California Department of General Services, State Property Management Demonstration Project: Implementation Strategy and Business Plan for The California Public Real Estate Development and Management Corporation," May 1988, completed by Roulac, the real estate consulting group of the firm of Deloitte Haskins & Sells.*

process. The repairs were finally completed in mid-1985. With a sensible, methodical system of planning for long-term needs, funding for such circumstances would have been available and a deplorable situation could have been rectified much more quickly.

Deferred Maintenance

Another effect of the State's lack of strategic, long-term planning is its inattention to the maintenance of its capital facilities. In a 1984 report, the Governor's Infrastructure Task Force recommended that deferred maintenance be designated as the State's highest funding priority. During the intervening years, however, the deferred maintenance problem has not lessened and, in fact, appears to have gotten worse. It is difficult to identify the extent of the problem because funding for maintenance efforts are generally grouped together in the budget with other support costs under a single line item of "facility operations." This commingling of funding also makes it quite easy to use these funds for purposes other than the specified maintenance.

One example of the inattention to maintenance is found in the budget for the DGS' Office of Buildings and Grounds (OBG), which is the entity responsible for maintaining and operating state office buildings, grounds and surplus property, and for coordinating and inspecting building alterations utilizing private contractors. The OBG's budget standards for maintenance are divided into six levels, the first having the highest priority:

1. health and safety;
2. cited needs related to fire, life safety, seismic, and accessibility;
3. security;
4. system operations;
5. comfort of tenants; and
6. aesthetics and historic structures.

Over the last several years, the OBG has annually requested between $13 million and $15 million for the many maintenance needs of the State's buildings and grounds. However, the OBG has received only between $4 million and $5 million each year for maintenance needs -- only enough to address "level 1" needs.

For years, the Legislative Analyst's Office (LAO) has recommended that the Legislature establish a maintenance standard for state facilities and set as a high-priority goal the elimination of deferred maintenance. In its "The 1990-91 Budget: Perspectives and Issues," the LAO suggested that the Legislature require departments that have a large capital outlay budget to:

- Establish a preventive maintenance program;
- Identify specific elements of infrastructure (maintenance, deferred maintenance, special repair, etc.) by line item in the budget (the Legislature could also add budget language restricting the transfer of these funds for other purposes); and

- Provide a post audit report identifying how the appropriated funds were used and how the deferred maintenance backlog is being reduced.

By not fully funding regular maintenance, the State is steadily eroding its capital assets. In the near term, this erosion is less evident; it does not take long, however, before these assets either incur higher-than-necessary costs to be operated and properly maintained, or need replacement at a high cost before the end of their normal useful lives.

Possible Adverse Effect on State's Credit Rating

The magnitude of the State's capital outlay needs, clearly in the tens of billions of dollars, relates to another potentially costly adverse effect. The recent trend for California has been to significantly increase its bond authorizations to finance capital outlay projects. To illustrate this trend: more than $14 billion in new general obligation bonds were authorized during the 1980s, while only $12 billion had been authorized in the entire preceding 70 years. The passage of more than $5 billion in general obligation bonds on the June 5, 1990 ballot, and the placement of an additional $5.8 billion in bonds on the November 1990 ballot indicates that voters continue to view bonds as a key financing option.

The State's debt load and how prudently it is managed are included in the myriad factors considered by the nation's bond rating agencies in determining California's credit risk. In fact, Moody's Investor Service, one of the nation's largest bond rating agencies, testified at the Commission's June 21, 1990 public hearing on capital outlay that a coordinated and comprehensive long-range plan would provide a greater rationale in meeting the State's capital needs. Other factors considered by bond rating agencies are how well the State plans for its financing of capital outlay projects, how well the State meets its needs and how well the State is organized to carry out its responsibilities.

The point to be made is not that, without a master plan, the State's credit rating will be lowered, thus resulting in greater costs to the State when it issues debt (although it is conceivable that a less rational method could contribute to a lowering of the rating). Rather, the point is that a number of the factors considered by bond rating agencies are related to the State's system of long-term planning and could only be enhanced through a more logical, systematic method of addressing the State's needs.

Recommendations

1. The Governor and the Legislature should enact legislation to require each state agency to prepare and submit annually to the Public Works Board, as restructured under recommendations developed in Finding #1, a capital outlay action plan for the next 5 years and a more general, longer-range 10-year plan. These plans should address needs related to existing capital infrastructure as well as projected additional needs. In addition, the plans should identify real estate assets under the control of each agency and a determination as to whether those assets can be used to satisfy needs described in the plans. Finally, the legislation should require the Board to prepare and submit annually to the Legislature, as a supplement to the Governor's Budget, a multi-year capital outlay master plan which is a compilation of the plans submitted by state agencies and which includes a relative priority ranking of all projects identified in the agencies' plans.

2. The Public Works Board, as restructured under recommendations developed in Finding #1, should adopt a mission statement that includes the following:

   - The development of and adherence to a strategic and systematic process for managing all of the State's real property under the Board's authority.

   - The proactive management of real property -- directed to the maximum use of all property holdings including, where appropriate, the development of uses that generate income without violating public trust policies.

   - The identification of means of accountability and the establishment of appropriate controls at the administrative agency level and Board level.

   - Using the Statewide Property Inventory, the identification of the use and nature of all state real property, the determination of the extent and purpose of all real property holdings, and the determination of the amount of resources required to manage all holdings.

   - The development of a master plan for addressing the State's real property and capital outlay needs, and the consideration of long-term property needs in determining asset management goals on both a statewide and individual agency basis.

3. In developing a strategic and systematic process for managing the State's real property under its authority, the Public Works Board, as restructured under recommendations developed in Finding #1, should establish a preventive maintenance program. The program should identify existing facilities, establish a realistic maintenance schedule for those facilities and identify a source of funding to adhere to the schedule.

4. The Governor and the Legislature should enact legislation that would require each agency's budget to identify specific elements of infrastructure funding (maintenance, deferred maintenance, special repair, etc.) by line item, and that would restrict the transfer of these funds for other purposes. Further, the legislation should require from the Public Works Board, as restructured under recommendations in Finding #1, a post audit report identifying how the appropriated funds were used and how the deferred maintenance backlog is being addressed.

FINDING #3 - THE STATEWIDE PROPERTY INVENTORY, ALTHOUGH FINALLY COMPLETED AFTER LONG DELAYS, WILL REQUIRE ADDITIONAL WORK TO BE MORE EFFECTIVE IN THE PROACTIVE MANAGEMENT OF INDIVIDUAL PROPERTIES

More than a year after it was initially due, the inventory of the State's real property is completed. The Department of General Services (DGS) accomplished a monumental task in developing the Statewide Property Inventory (SPI), but the SPI will need verification and additional information to become an even more effective tool in the proactive management of individual properties. The statute that required the SPI specified that it must contain a description of the current use and projected use of the properties; such descriptions, however, are not available for all properties. Further, although not required by law, the extent of the use and the estimated value of the properties also are not included in the inventory. These elements are critical to proper management of many of the properties; it is difficult to make decisions regarding properties without knowing what they are used for, how much they are used and what they are worth.

Delay in Inventory Implementation

Based on the Little Hoover Commission's 1986 report on "California State Government's Management of Real Property," two statutes were enacted to establish what is now known as the SPI. Assembly Bill 3932 (Chapter 907, Statutes of 1986) required the DGS to prepare, by January 1, 1989, an inventory of all real property (the SPI) held by each state agency excluding the Department of Transportation (Caltrans). The law further required that the DGS use specified information furnished by the agencies, and requires the DGS to maintain and annually update the SPI. In addition, the statute required the DGS to prepare, by January 1, 1989, a report, based on the SPI, of all properties declared surplus or with no current or projected use. AB 142 (Chapter 638, Statutes of 1987) required Caltrans to furnish specific real property information to the DGS for inclusion in the statewide inventory.

The DGS assigned to its Office of Real Estate and Design Services (OREDS) the responsibility for developing and maintaining the SPI. However, the OREDS did not complete the SPI by January 1, 1989, as required by law. Instead, during March 1988, the director of the DGS notified three legislative budget committees that the OREDS would be unable to meet the legislative deadline, and estimated that the OREDS could implement the SPI by January 1990. The director told the Legislature that the DGS had agreed to the original deadline without knowing the constraints and time requirements of implementing such an inventory.

According to the director of the DGS, they received tacit approval from the Legislature for the one-year extension. A Legislative Counsel opinion, however, stated that the DGS' notification to the legislative budget committees was not legislative approval for a one-year extension of the original deadline.

In October 1989, the DGS reported to the Department of Finance that it did not expect to meet the extended deadline of January 1990. The director of the DGS indicated that the second delay would occur because individual state agencies had reported their inventories late, and that the data contained errors that would take considerable time for review and correction. This claim is supported by the fact that the Department of Parks and Recreation was submitting records to the OREDS as late as March 1990, and that approximately 25 percent of all the records received by the OREDS required some type of correction. Further, the University of California initially was uncooperative in providing the required information; only after intervention by the Little Hoover Commission and the Administration did the University comply with the requirements of the SPI.

At the Little Hoover Commission's February 28, 1990 public hearing on property management, the chief of the OREDS stated that he estimated that the SPI would become operational by April 1, 1990. In fact, the SPI finally became operational around the beginning of May 1990.

In its March 1990 report, "The Department of General Services Needs to Improve Its Management of State Leases and Real Estate," the Office of the Auditor General reported on the effects of the delay in implementing the SPI:

> "As a private consultant estimated in a feasibility study prepared for the [DGS], because of the delay in implementing the SPI, the State may have lost an estimated $2.7 million in benefits based on the SPI's first year of operation. According to a report to the [DGS'] director from the Department of Finance, the estimated $2.7 million is based on a cost savings of $1 million per year from the [DGS'] more effective management of properties plus the revenues of $1.7 million per year from the potential sale of surplus properties identified through the SPI."

In a response to the audit report, the Secretary to the State and Consumer Services Agency disagreed with this estimate and stated:

> "The [$2.7 million] figure comes from the SPI Feasibility Study Report (FSR).... The assumption of the FSR for the SPI is that the Proactive Asset Management (PAM) function would be fully implemented to coincide with the completion of the SPI. Since PAM is just being implemented at this writing, no loss of benefits has resulted because of the delay in completing the SPI. The $1.7 million in sales revenue will be realized in the future when both the SPI and PAM are in place."

Although delayed, the completion of the SPI in its present form was a monumental accomplishment. The OREDS received over 174,000 records from the various property-holding agencies. Approximately one-half of the records were paper documents that required data input, and one-half were on magnetic tape that required special programming to convert to the uniform format required by law. As stated earlier, the OREDS was faced with the late submission of records, and a substantial portion of the records contained errors that required correction. Despite this adversity, the OREDS was able to develop a SPI that goes a long way toward assisting in the proactive management of the State's real property. There are, however, a few areas that should be improved; fortunately, the data base developed by the OREDS to contain the SPI is one that offers flexibility for adding information in the future. Such additions may be necessary to fully utilize the SPI as an effective property management tool.

In addition, the information on property records received from agencies in developing the SPI will need to be verified. The OREDS' position on this matter is that the establishment of the SPI is only the first phase of the implementation process, and that all information will be verified during the second phase. During this verification phase, which already has begun for many of the properties in the San Francisco Bay Area, a small team of OREDS staff actually visits the property sites to conduct a field review to confirm the information on the SPI and to obtain additional information that will be helpful to the management of the properties.

The Commission notes that this phase is essential to gaining information necessary for the management of individual properties, but that the resources devoted to verification, five staff, are woefully inadequate to complete the phase's objectives in a timely manner. For example, at the time of this writing, the verification of the San Francisco Bay Area properties is not expected to

be complete until the beginning of October 1990; if this schedule is adhered to, the process will have taken approximately seven months for only one region. The OREDS is scheduled to complete the verification of another three metropolitan areas (Los Angeles, San Diego, Sacramento) by December 31, 1990. Given the current and budgeted level of staffing, and the attrition of experienced staff, however, it is highly improbable that the OREDS will keep to its schedule.

Description and Extent of Properties' Uses

Both of the laws implementing the SPI required that it include a description of the current use and projected use of each of the properties. The data base for the SPI contains the fields "Current Use Code" and "Projected Use Code." These fields, however, only allow for recognition of whether a property is used or is going to be used by a state program; the code does not indicate what a state program is using the property for. Likewise, the data base contains the field "Structure Use Code," which only identifies whether a structure is used for a state program. (Please see Appendix F for a description of all the data elements in the SPI.) Despite this lack of details, in most cases there is enough other information in the properties' records so that one can easily discern the use of a property. For instance, for many of the properties in the SPI, the name of a structure indicates what the structure is used for. As examples, "San Jose Armory" (Military Department), "Almaden FFS Barracks" (Department of Forestry) and "Santa Teresa Office Building" (Department of Motor Vehicles) leave little doubt about the use of the structures described. In other cases, if the structure name does not adequately describe the use of a structure, the records for the structure contain a comments section that does delineate its use.

At the point at which the DGS declared the SPI operational, however, the SPI did not contain such descriptions for each property, particularly for structures. For example, in a sample computer printout generated by the OREDS for the Commission, the names of numerous structures owned by Caltrans were listed with the word "Building" and a number, such as "Building 3." For these structures, the corresponding comments sections contained no further information. Thus, without further investigation separate from the SPI, it is impossible to determine whether the structures in question are office buildings, warehouses, or a number of many other possibilities.

To follow up on this apparent shortcoming of the data in the SPI, the Commission formally requested from the OREDS a listing of all office buildings owned or leased by the State. The OREDS replied that such information is not available on the SPI in the format that the Commission requested. In his reply to the Commission, the chief of the OREDS stated:

> "Under AB 3932, each agency was required to provide a concise description of each major structure. A concise description did not always include the exact use.... Therefore, there is no precise way to identify office buildings from other types of structures at this time.... It was our feeling that we did not want to impose a greater data collection burden on the agencies in the initial phase than was absolutely necessary. Therefore, only basic information was required."

The chief of the OREDS also acknowledged that the "Structure Use Code" could be expanded to indicate the various uses made of structures and that, in the future, the OREDS planned to ask agencies to supply more detailed information on the type of structure space (office, warehouse, parking, etc.) the agencies have and the square footage per type.

Although not required by law, the extent of use for each property also is not available on the SPI. Such information would be useful, however, in identifying properties that are under-utilized. For example, the Commission requested from the OREDS a listing of all the State's

vacant, unused lands suitable for alternative use. In replying that such information currently is not available, the chief of the OREDS stated, "[T]his information can only be provided after a thorough field review of the State's ownerships by the Proactive Asset Management (PAM) Unit. The database is only the start of an effective asset management program. Value estimates of these types of properties will be accomplished on a priority basis."

Regarding the lack of specific information on the use of properties, the Commission recognizes that asking for additional information from agencies would have created a greater burden for those agencies. However, the Commission also understands the benefits of doing a job properly from the outset so as to mitigate efforts later. A small amount of extra effort up front not only would have saved the OREDS from obtaining the information at a later date but would have initially provided more valuable information for use in the proactive management of the State's properties. Finally, notwithstanding the fact that the statute creating the SPI required each agency to provide "a concise description of each major structure," the statute also required a description of the current use and projected use of each property. As the sponsor of the legislation creating the statute, the Commission most certainly intended for the SPI to contain enough information so that one could tell the difference between an office building and a warehouse.

Regarding the extent of property use, allowing for value estimates to be made only by the PAM Unit and only on a priority basis precludes the possibility that such value estimates may assist in setting priorities. In other words, if only those properties that beg for greater scrutiny are then examined by the PAM Unit for such factors as extent of use, then under-utilized properties with no other telltale signs of being candidates for proactive management may be ignored by the PAM Unit. Moreover, relying on the PAM Unit to perform timely visits to the significant number of properties held by the State would appear to be a futile objective, considering that the PAM Unit has but five staff to devote to field reviews of all the State's properties.

Certainly, there may be a problem relying on property-holding agencies to inform the PAM Unit that they are using properties fully; although this problem would be mitigated if the State were to offer incentives for proactive management, as outlined in Finding #4. Given the current lack of incentives, however, it is valuable to have independent experts, such as the PAM Unit, review <u>all</u> properties for extent of use, and not just on a priority basis. Under the current structure for real property management, the PAM Unit is solely responsible for completing the verification phase and, as indicated earlier, is not sufficiently staffed to complete such a volume of work in a timely manner. Under the Commission's proposed restructuring of the Public Works Board, as outlined in the recommendations developed in Finding #1, many of the personnel currently devoted to real property management in the various property-holding agencies would be transferred to work for the Public Works Board and would be available to complete the verification phase. With such an increase in resources through the coordination of real property management efforts, the verification of information on the SPI and the gathering of additional information, such as the extent of properties' use, could be achieved in a timely manner.

It should be noted that the OREDS, after initially responding to the Commission's request for a listing of the State's office buildings, determined that it can estimate the total number of office buildings and corresponding square footage that the State owns or leases for administrative purposes. The OREDS' estimate is displayed in Table 4.

Table 4

State Owned Office Buildings
and General Services' Leased Office Space

Type	Number of Sites	Square Feet
State Owned	330	12,785,517
State Leased	1,237	11,660,382
Total	1,567	24,445,899

Source: Preliminary summary based on the Statewide Property Inventory and the Department of General Services' Occupied Space Report, June 18, 1990.

The estimate excludes office space used in institutions such as state prisons and hospitals, and is based on a manipulation of data in the SPI and other OREDS reports. Further, to develop the estimate, OREDS staff obtained verbal confirmations from various agencies' officials as to the use of properties for which the SPI did not contain descriptive information. The OREDS believes that the estimate, while not completely accurate, provides a reasonably good picture of the extent of office buildings in the State.

Values of Properties

Another property characteristic not required by law to be in the SPI is property value. Although not statutorily mandated, however, knowing the values of the State's properties is essential prior to conducting transactions involving those properties. Even before deciding to conduct property transactions, though, it would be helpful to have an idea of the relative value of properties being considered for transactions. For example, if the State wanted to build a maintenance garage on one of two land parcels it currently owns, it would probably build the garage on the least expensive of the two parcels, all other factors being equal.

Certainly the State involves itself with real estate transactions far more complex than the selection of potential sites for garages based on relative property values, but the point is: A property's value could well affect a decision regarding that property. Further, not only might a property's value affect a decision, it could initiate one. For example, if the State found that it had a storage shed located on a high-valued property, it might question the appropriateness of the property's use. Actual, similar examples can be found in the results of the state property demonstration project created by Chapter 444 of the Statutes of 1986, which is described in the Background section of this report. Completed in 1988, the project included analyses of three properties in the metropolitan San Diego area, and concluded that, through the commercial use of the properties, the State could save as much as $7.3 million from one-time transactions, such

as sales, and from $4.8 to $10.8 million annually through alternative uses such as ground leases.[5] In part, the analyses of the properties were initiated by the values of the properties.

Despite the logic of having estimates of property values, the SPI does not contain such estimates for the vast majority of its properties. The SPI's data base does contain a field for the estimated values of real properties, but most agencies did not provide that information because it was not readily available in their own inventories.

In its request for a list of office buildings, the Commission also asked the OREDS to provide the estimated values of the buildings. In response, the chief of the OREDS stated:

> "[T]here is no plan to appraise every office building at this time. Appraising every office building would be a costly and unnecessary expense at a time when funding is in short supply. Some office buildings will be appraised if there is an indication that an alternative use or repositioning of the property is in the best interests of the State."

Similar to its viewpoint on obtaining estimates of the extent of the use of property, the Commission believes that knowing the estimated values of properties may in and of itself provide an indication that an alternative use is in the best interests of the State. Recognizing that it may not be cost beneficial to obtain an appraisal of every property in the State, an appropriate measure would be to obtain estimates for those properties that have the greatest likelihood of benefitting from proactive management; namely, properties with commercial applications, such as office buildings, warehouses, maintenance yards and similar structures. Further, obtaining estimates only for those properties in metropolitan areas, where there is a likelihood that property values could affect decisions, would also be a judicious use of state funds. Finally, the potential benefits of cost savings through the appropriate use of properties clearly outweigh the effort needed to obtain estimates of property values.

Given that there are only five staff in the PAM unit, it would be unreasonable to expect the unit to estimate in a timely manner the values of all appropriate properties. However, under the Public Works Board as restructured under recommendations developed in Finding #1, there would be sufficient resources to complete the work much more quickly. Further, the Public Works Board staff would have the necessary expertise to estimate property values because it is assumed that the staff would include right of way agents and land agents currently assigned to property management functions in various property-holding agencies.

Recommendations

1. The Governor and the Legislature should enact legislation that would require the Statewide Property Inventory to contain a description of the exact current and projected use of, and the extent of the use for, each property contained in the SPI. In addition, the Office of Real Estate and Design Services, or the staff of the Public Works Board as restructured under recommendations developed in Finding #1, should continue to work with agencies

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[5] *"State of California Department of General Services, State Property Management Demonstration Project: Implementation Strategy and Business Plan for The California Public Real Estate Development and Management Corporation," May 1988, completed by Roulac, the real estate consulting group of the firm of Deloitte Haskins & Sells.*

in obtaining further descriptions of the current and projected use of properties, and should obtain information regarding the extent of the properties' uses.

2. The Governor and the Legislature should enact legislation that would require the Statewide Property Inventory to contain an estimated value for each property located in a metropolitan area that also either (a) has commercial applications, or (b) is not currently in use or is without a projected use. In addition, the Office of Real Estate and Design Services, or the staff of the Public Works Board as restructured under recommendations developed in Finding #1, should develop reasonable estimates for the above-described properties.

FINDING #4 - CURRENT STATE STATUTES, POLICIES, AND PROCEDURES INHIBIT THE PROACTIVE MANAGEMENT OF THE STATE'S REAL PROPERTY

The effective management of real property demands both the flexibility to consider a wide range of alternatives for the use of real property and the ability to respond in a timely fashion. Current legal and policy mandates, however, encourage a custodial, rather than proactive, attitude toward real property management. In fact, in most instances, the State's current statutes and policies discourage agencies from proactively managing their real property. Moreover, real property management is considered to be irrelevant to the primary mission of service delivery for most property-holding agencies, and there are no incentive programs in place to reward managers whose proactive stance in the management of the State's real property results in a financial benefit to the State. These statutory and policy barriers inhibit or delay the effective use of real property by extending the time needed to identify, reach agreement on and fund needed development or other alternative use of real property. Further, as a consequence of having no incentives for proactive management, the State may be losing out on opportunities to make more efficient and effective use of its properties.

Legal and Policy Barriers

Rather than encourage the proactive management of real property through the maximizing of revenues without violating public trust policies, the State promotes a custodial management style, particularly in the acquisition of property. Current state statutes and policies regarding real property management are structured to allow the State to acquire property only upon showing a need for property directly related to the operation of a particular program. This strategy of custodial management is embodied in numerous sections of the State's laws, but for general government is primarily covered in the Government Code commencing with Section 15850, entitled, the "Property Acquisition Law." These sections of statute cover the process needed to identify, value and purchase real property for state uses. The Public Works Board is responsible for reviewing acquisitions proposed by various administrative agencies, and determining if such acquisitions would be consistent with the best interest of the State. Other sections of the Government Code address separate aspects of property management, including the following:

- surplus property declaration and disposal (Section 1101);
- acquisitions of easements (Section 14662);
- disposal of easements and rights of way (Sections 14665 through 14667); and
- authority and limitations on lease purchase agreements (Section 14669).

In addition, the State Administrative Manual (SAM) includes a series of sections, beginning with Section 1300, on property or asset management. These sections deal with issues such as long-range planning (Section 1300); space management (Section 1400); and architecture and construction guidelines (Section 1450). Detailed accounting procedures for real property are delineated commencing with Section 8600 of the State Administrative Manual.

Other sections of various statutes deal with the specific authority of separate departments to purchase or manage real property. These include sections of the Streets and Highway Code pertaining to the operations of the Department of Transportation; sections of the Water Code used by the Department of Water Resources in its operations; and sections of the Food and Agricultural Code that empower the district agricultural associations and county fairs to hold, acquire and

dispose of property. In general, these various sections duplicate the identification, assessment and purchasing approval sections of the Property Acquisition Law for each of the agencies named above.

In addition to the statutes and policies cited above that encourage a custodial attitude toward real property management, there is one section of statute that explicitly inhibits the proactive management of real property. The statute is Section 14670 of the Government Code, which states, in part:

> "With the consent of the state agency concerned, the director [of the Department of General Services] may: (a) Let for a period not to exceed five years, any real or personal property which belongs to the state, the letting of which is not expressly prohibited by law, if he deems such letting is in the best interest of the state."

This section specifically prohibits long-term leases of state property, whether for joint public agency development or for public/private agency development. Consequently, without specific exemption under some other section of statute, state-owned properties that may be appropriate for a "higher and better use" through long-term leasing cannot be considered for such use.

The effect of this law is to encourage legislative intervention whenever the proactive use of state property requiring a long-term lease is proposed. Such intervention often leads to reduced enthusiasm on the part of would-be developers and numerous lost opportunities. For example, in 1987, a group of developers was interested in developing a golf course on land owned by the Department of Veterans Affairs near its facility at Yountville. The developers ultimately backed off, however, because they did not want to go through the cumbersome legislative process of gaining approval for a long-term lease of the property.

Intervention in Disposal of Surplus Land

On several occasions, the legislative process has played a significant policy role in the disposal of surplus state lands. Section 11011 et seq. of the Government Code requires each state agency to annually review all state lands over which it has jurisdiction, and to report to the Department of General Services (DGS) any property that is in excess of the Agency's foreseeable needs. Based on the landholding agencies' reports of excess land, the DGS submits to the Legislature a report identifying land that should be designated and disposed of as surplus. The Legislature reviews the report and authorizes, through a single bill, the disposal of any lands that it agrees is surplus property. The remaining land, not declared surplus by the Legislature, remains in the custody of the landholding agencies until the Legislature authorizes its disposal.

When the annual property bill is enacted it becomes effective January 1 of the following year, at which time the DGS issues to all local governmental agencies a notice regarding the availability of surplus property. After 60 days, the DGS may enter into negotiations with qualified local agencies interested in acquiring surplus state property. If no qualifying local agencies show an interest, a 90-day period begins during which the DGS advertises the surplus land to the public and bids may be received from the private sector. According to DGS staff, the minimum time needed for the disposal of surplus state property to a private party is one year; this period is measured from the statutory declaration of surplus status to the close of escrow.

In addition to the annual surplus property bill, separate legislative action may be taken that affects the status of particular parcels of state lands proposed as surplus. Examples of past actions include:

- In 1987, the Legislature passed Assembly Bill 1182, which would have declared as surplus several parcels of property totalling 174 acres at Agnews State Hospital, and would have sold, or leased out for up to 75 years, 70 acres of the property to a public benefit corporation. Further, the 70 acres of property would have been used for the development of a model community to benefit employees of facilities that deliver developmental services, persons with disabilities, and elderly persons. Finally, the proceeds from the sale or leasing out of all the property would have been divided between the State's General Fund and a newly created account for the Department of Developmental Services. The measure, however, was vetoed by the Governor. The Governor's veto message stated, in part:

> "This is the third time this or a similar bill has been placed on my desk. As on the two previous occasions, I have three concerns about this measure. First, it would reduce opportunities for competitive bid on a portion of the land by permitting only public benefit corporations to bid. Second, it would restrict the ability of the state to sell one parcel for the highest return to the state. Finally, it would mandate to local government the purpose for which one of the parcels may be used. State-owned surplus property is normally sold to the highest bidder for, at a minimum, its fair market value with the proceeds deposited in the fund from which the property was originally purchased. In this case, that fund is the General Fund.
>
> Because we have already provided adequate funding for the Department of Developmental Services, creation of a new account is unnecessary.
>
> The use restrictions this bill places on the property are more appropriately addressed at the local level and I believe such decisions should be made by the City of Santa Clara.
>
> I will ask the Department of General Services to place this property in the annual surplus property bill to be disposed of in the manner prescribed by law."

- In the late 1960s, the California State University (CSU) purchased land for potential new campuses in Ventura, San Mateo and Contra Costa counties. Because of changing demographics and other considerations, the CSU decided in the mid-1970s that the sites were not needed and declared the properties as surplus. The Ventura and San Mateo sites were disposed of pursuant to legislation in 1978, but the 20-acre Contra Costa site was withdrawn from the proposed measure after local pressure was exerted, and subsequently has been exempted from surplus disposal by legislative action. In the last several years, the exemption has been supported by the CSU, which now wishes to retain the option of siting a new facility at the Contra Costa location.

Agency-Level Barriers

An additional barrier to proactive real property management is the attitude of administrative departments that do not view the utilization of real property as a part of their mission. For example, the Department of Developmental Services views its mission as ensuring the delivery of appropriate services to persons with developmental disabilities; it does not include in its mission the proactive management of its real property to maximize revenue for the State. Under such a philosophy, agencies make no effort to analyze their real property in search of a "higher and better" income-generating, compatible use. It should be noted that most agencies do not seem to be adverse to becoming more proactive; in fact, most appear that they would support the concept if they were given sufficient resources including staff with the required real estate expertise.

In addition to a non-conducive attitude, the budgetary structure for these agencies may contribute to their lack of focus on real property management. Agency budgets include annual operational costs and capital expenditures, but do not consider the costs of mis-utilization or under-utilization of property. This system fosters a natural tendency to pursue custodial management rather than develop and execute a strategy of proactive management for real property.

A further barrier to the proactive management of real property is most state agencies' lack of trained real estate staff who can be used in evaluating real property use and options. A certain amount of property expertise is available through the DGS, and other administrative agencies such as the Department of Transportation (Caltrans) and the Department of Water Resources may have staff capable of some real estate functions. However, certain areas of expertise or skill, such as property use assessment, may be in short supply.

In part, this shortage of expertise is caused by the lack of resources earmarked to hire staff at salaries competitive with those in the private sector. As a result, when departments wish to consider an alternative use or the development of particular properties, they may be forced to retain expertise outside of state government. As an example, in developing its North Campus, California State University, Northridge (CSUN) entered into contracts with private consultants to provide cost/benefit analyses and legal advise. This was done because CSUN was unable to locate within either the California State University or within the executive branch the expertise necessary to evaluate and assist in implementing such a development. As another example of inadequate state expertise, the Los Angeles Regional Office of Caltrans has entered into an agreement with the Los Angeles Development Commission to perform joint development analyses and develop proposals for a two-block parcel in downtown Los Angeles. Presumably, Caltrans sought outside help because skills for analyzing urban development are not available or adequate within the state system.

Lack of Incentive for Proactive Management

Another factor inhibiting the State's proactive management of real property is the lack of incentive to reward individuals or agencies whose proactive management results in a financial benefit to the State. Current statute (Section 15863 of the Government Code) requires all proceeds, less expenses, from the sale or leasing out of state property to accrue to the State's General Fund. The exceptions to this statute are for property controlled by the Department of Transportation (Article 19 of the State Constitution), property controlled by the University of California (Article 9 of the State Constitution), property controlled by the District Agricultural Associations (Section 4001 et seq. of the Food and Agricultural Code), the sovereign and school lands managed by the State Lands Commission (Section 6001 et seq. of the Public Resources

Code) and other sections of law which require proceeds, from the sale or lease of a specific property, to return to the original fund. The concept that all revenues should be credited to the State's General Fund is derived from the idea that real property was originally paid for and developed using general tax revenues or state bonds.

Currently, there are programs in place that recognize either sustained superior performance of a state employee, or cost savings or additional revenue generation brought about by ideas or suggestions of state employees. However, the programs are not specific to the proactive management of real property. The programs include:

- The Merit Award Program, which has two components directed at individuals who run agency programs. The Sustained Superior Performance Award recognizes long-term outstanding performance in an individual's job, and is not necessarily oriented to any one task or set of tasks. The Supervision Award is granted for outstanding supervisorial performance, whether in a sustained capacity or for a particular project.

- The Managerial Performance Evaluation, which is based on the accomplishment of recognized and agreed-upon goals and objectives. This program provides to recipients cash awards based upon a formula tied to the recipients' salaries.

- The Shared Savings Program, which is awarded to a work unit that develops efficiencies and cost savings in state operations. The program requires that the proposed effort, goals and objectives be defined before beginning the project. All members of the project group share in a percentage of the savings realized.[6]

Outside of the above programs, individual incentive systems do operate to a limited extent under specific circumstances in certain state agencies. For example, both the State Compensation Insurance Fund and the California State Lottery provide for sales personnel incentives that are based on a percentage of sales over a certain base minimum. As another example, the University of California has a program which rewards superior sustained performance of non-managerial employees; bonuses are paid based on a percentage of the employees' annual salaries.

Comparative Incentive Models

Some of the real property management agencies outside of California do provide, as a part of their programs, incentives for employees to proactively manage real property. The following are examples of these models:

British Columbia - The British Columbia Buildings Corporation has an individual "merit pay" system for senior employees, based on work that exceeds defined job standards. Eligibility for merit pay increases is evaluated on the basis

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[6] *It should be noted that in interviews with staff of the Department of Finance and the Department of Personnel Administration, both parties have stated that, historically, the Department of Finance has not approved projects or awards under the Shared Savings Program. Apparently, the Department of Finance has had the philosophy that it is a manager's job to operate a program in the most cost effective manner possible, and that cost savings are a result of normal job expectations, duties and responsibilities; therefore, no further compensation is warranted.*

of exceptional performance for either an individual project or sustained performance. The level of merit pay is based on a percentage of the employee's base salary, and is not considered to be a "bonus."

Arizona - The State Lands Department administers a "merit pay" system for superior performance demonstrated by supervisorial or line employees. Nomination of an employee for merit pay is made by the director of the State Lands Department to the Department itself, and the pay is based on a percentage of the individual's annual salary.

Delays and Lost Opportunities

The most effective management of property in today's real estate world requires flexibility both in timing and in the range and breadth of available options. Attempting to surmount the State's barriers to proactive real property management can have several effects, the most noticeable of which are the delays in joint development projects caused by the need for authorizing legislation. As an example, in 1985 Patton State Hospital attempted to obtain the necessary legislative authorization to lease out part of its surplus land on a long-term basis for a golf course and park. The revenues from this lease were to be contributed to the patient benefit funds of all state hospitals as well as and the State's General Fund. In 1988, after three years of legislative negotiation, this arrangement was finally completed. Another example of a delay caused by the legislative authorization process involves the construction of office and parking facilities in downtown Oakland. Legislation to create a joint powers agreement between the DGS and the Oakland Redevelopment Agency was entered into in 1986, but only after three and one-half years of negotiation.

Numerous other examples of legislation needed to exempt projects from the 5-year limit on leases, and the implicit delays in such projects, are found in Sections 14670 through 14672 of the Government Code, including:

- Section 14670.35, which authorized the DGS to lease out, for a period not to exceed 55 years, up to 60 acres of property held by the Department of Developmental Services at Fairview State Hospital. The property was to be leased out to a corporation or partnership for the development of affordable housing for employees of the hospital, and to provide transitional housing for patient-clients of the hospital returning to the community.

- Section 14672.15, which authorized the DGS to lease out, for a period not to exceed 45 years, 140 acres held by the Department of Corrections as a peripheral buffer area between the California Institution for Men and adjacent real property. The property was to be leased out to the City of Chino for the development and maintenance of a public park.

- Section 14672.5, which authorized the DGS to lease out, for a period not to exceed 50 years, a parcel of approximately five acres held by the Department of Corrections. The property was to be leased out to the City of Folsom for a police station, courthouse or city hall.

Because the State generally has not adopted a strategy of proactive real property management, it is impossible to identify or quantify effects such as lost opportunities. What the Commission has found, though, is that, in delaying the implementation of projects, there is an

increase in the State's administrative costs for the additional time and money needed to pursue legislation and to seek outside assistance in real property development. Although such administrative costs have not been delineated, the chief of the DGS' Office of Real Estate and Design stated that his office has incurred significant costs in pursuing legislation for long-term leases of properties.

Lost opportunities can also be attributed to the lack of incentives for proactive real property management. Without agency and individual incentives, significant real estate holdings are managed by persons with little or no real estate expertise who have no motivation to proactively manage these holdings. Consequently, opportunities for alternative beneficial uses of property may not be recognized. Agencies are not effectively encouraged to review their holdings and determine whether their property can be proactively managed for the benefit of the agency and the general public. With certain exceptions such as the Department of General Services, the Department of Transportation and the California State University, there is no program to assess current use. The only apparent opportunity to evaluate most agencies' holdings is the passive assessment required under Government Code Section 11011, which requires agencies to annually report to the Department of General Services the property that is surplus to the agencies' operating needs. Absent proactive management, under-utilized property that can be converted to a "higher and better use," compatible with an agency's ongoing program, may not be identified.

In fact, the lack of incentives can create a disincentive to proactive real property management. Because property-holding agencies derive no fiscal gain and may lose the use of property which, in their judgement, may be needed for future agency operations, it is improbable that the agencies would make exceptional efforts to pursue alternative uses of their properties.

Recommendations

1. The Governor and the Legislature should enact legislation to amend Government Code Section 14670 to authorize the Public Works Board, as restructured under recommendations developed in Finding #1, to lease out, for a period not to exceed 49 years, any of the State's real property that is under the authority of the Board, so long as the leasing out of such property is consistent with sound business practices and the Board's mission statement, which includes:

   - The development of and adherence to a strategic and systematic process for managing all of the State's real property under the Board's authority.

   - The proactive management of real property -- directed to the maximum use of all property holdings including, where appropriate, the development of uses that generate income without violating public trust policies.

   - The identification of means of accountability and the establishment of appropriate controls at the administrative agency level and Board level.

   - Using the Statewide Property Inventory, the identification of the use and nature of all state real property, the determination of the extent and purpose of all real property holdings, and the determination of the amount of resources required to manage all holdings.

   - The development of a master plan for addressing the State's real property and capital outlay needs, and the consideration of long-term property needs in

determining real property management goals on both a statewide and individual agency basis.

2. The Governor and the Legislature should enact legislation to amend Government Code Section 11011 to authorize the Public Works Board, as restructured under recommendations developed in Finding #1, to declare as surplus any of the State's real property that is under the authority of the Board.

3. The Public Works Board, as restructured under recommendations developed in Finding #1, should conduct a thorough analysis of all existing legal and policy mandates related to state agencies' holding or management of real property. The analysis should recommend appropriate statutory and policy changes to ensure consistency throughout the various mandates.

4. The Governor and the Legislature should enact legislation to allow state agencies with real property managed by the Public Works Board, as restructured under recommendations developed in Finding #1, to retain for agency operations 20 percent of any revenues generated by the management of the property. These revenues should be deposited in a special fund for each agency, and should be subject to each agency's discretionary use outside of the normal budgeting process.

5. The Governor and the Legislature should enact legislation to grant the Public Works Board, as restructured under recommendations developed in Finding #1, the authority to develop individual and group incentives for superior staff performance in the proactive management of real property. This program should be funded from the operational costs of the Board, and should not be subject to approval by the Department of Finance.

APPENDICES

Appendix A - Preliminary Agency Summary of State-Owned Sites/Facilities and Structures on the SPI Fully Edited Data Base

Appendix B - Agency Summary of Leased and Assigned Sites/Facilities

Appendix C - Witnesses at Commission Hearings on Real Property Management

Appendix D - Individuals Interviewed for this Report

Appendix E - Description of Process for the State Transportation Improvement Program

Appendix F - Definitions of Data Elements Available in the Statewide Property Inventory

APPENDIX A

PRELIMINARY AGENCY SUMMARY OF STATE-OWNED SITES/FACILITIES AND STRUCTURES ON THE SPI FULLY EDITED DATA BASE
August 10, 1990

DEPARTMENT NAME	TOTAL FEE SITES/FACILITIES	TOTAL FEE ACREAGE	TOTAL STRUCTURES	TOTAL SQUARE FOOTAGE
AIR RESOURCES BOARD	1	2.25	1	54,000
BOARD OF EQUILIZATION	2	5.45	1	7,450
BOATING & WATERWAYS	3	22.34	0	0
CAL EXPO & FAIR	1	854.75	48	961,461
CAL STATE UNIVERSITY	26	16,735.88	981	36,287,845
COASTAL CONSERVANCY	17	918.17	0	0
CONSERVATION	1	0.17	1	2,000
CONSERVATION CORPS	1	68.00	20	40,590
CONSUMER AFFAIRS	2	2.58	1	297,000
CORRECTIONS	21	15,129.02	1,395	19,243,486
DEVELOPMENTAL SERVICES	7	4,121.67	588	8,078,579
DISTRICT AGRICULTURAL ASSOC.	44	2,365.74	1,182	6,338,036
EDUCATION	6	245.04	139	1,162,858
EMPLOYMENT DEVELOPMENT	33	50.87	34	636,816
FISH & GAME	219	282,254.67	1,414	855,145
FOOD AND AGRICULTURE	11	42.57	35	178,206
FORESTRY & FIRE PROTECTION	241	74,937.17	2,521	8,307,417
GENERAL SERVICES	77	714.84	49	8,827,044
HEALTH SERVICES	6	57.31	12	248,649
HIGHWAY PATROL	95	619.36	91	804,215
HOUSING&COMMUNITY DEVEL	33	246.38	33	37,806
LOTTERY COMMISSION	1	12.50	3	179,984
MENTAL HEALTH	4	2,481.01	331	4,527,869
MILITARY	70	5,752.09	404	6,233,290
MOTOR VEHICLES	85	212.30	84	1,587,829
PARKS AND RECREATION	265	1,007,339.53	3,525	6,799,678
REHABILITATION	1	3.20	3	42,152
SANTA MONICA MTNS CONSERVANCY	26	1,759.42	0	0
STATE LANDS	1,422	587,092.23	0	0
TAHOE CONSERVANCY	2	2,015.50	0	0
TRANSPORTATION	282	1,273.24	1,717	4,843,889
UNIVERSITY OF CALIFORNIA	14	80,732.53	3,567	37,111,301
VETERANS AFFAIRS	6	2,222.68	92	985,291
WATER RESOURCES	38	72,684.39	0	0
WATER RESOURCES CONTROL BOARD	2	509.57	0	0
WATER RESOURCES RECLAMATION	23	19,455.28	0	0
YOUTH AUTHORITY	9	1,943.95	361	2,780,517
TOTAL	3,097	2,184,883.65	18,633	157,460,403

DATA NOT YET VERIFIED
A:HOOVER

Source: Department of General Services, Office of Real Estate and Design Services

APPENDIX B

AGENCY SUMMARY OF LEASED AND ASSIGNED SITES/FACILITIES
August 10, 1990

AGENCY	NUM. OF LEASES	NUM. OF ASSIGNMENTS	AUTHORIZED PERSONNEL	OFFICE SPACE	OFFICE LEASED	STORAGE	STORAGE LEASED	PARKING AREA	PARKING LEASED	PARKING SPACES	PARKING LEASED	OTHER	OTHER LEASED
ADMINISTRATIVE LAW, OFFICE OF	1	0	55		12,448							1	
AGING COMMISSION ON	1		7		2,437								
AGING, DEPARTMENT OF	1		155	37,585						7			
AGRICULTURAL LABOR RELATIONS B	5	2	177	18,675	11,914	265	0	0	0	0		37	
AGRICULTURAL ASSOC 48TH DISTRICT													
AIR RESOURCES BOARD	35	2	798	8,220	173,531	800	2,743		1,355			341	3,176
ALCOHOL AND DRUG PROGRAMS	1	0	135		23,273								
ALCOHOLIC BEVERAGE CONTROL APP	1	1	10	1,695	1,757							2	
ALCOHOLIC BEVERAGE CONTROL, DE	19	9	414	19,996	61,905	105						114	78
ATASCADERO STATE HOSPITAL	1		11										
BANKING DEPARTMENT	3	0	115		27,839							7	
BD OF CHIROPRACTIC EXAMINERS	2	0	9		1,435							1	
BD OF CONTROL	2	0	182		40,875								
BD OF CORRECTIONS	1	0	59		11,468							16	
BD OF OSTEOPHATIC EXAMINERS	1	0	3		975								
BD OF PRISON TERMS	2	0	94		16,733		909					12	
BOATING AND WATER WAYS	2	0	57		15,154		1,340					36	
CA ADVIS COUNCIL ON VOC EDUC	1	0	5		1,690							4	
CA ARTS COUNCIL	1	1	61	405	10,102	0						21	
CA AUCTIONEER COMMISSION	1	0	2		724								
CA COASTAL COMMISSION	6	3	230	9,829	37,022		1,625					22	
CA CONSERVATION CORPS	2	19	906	12,680	21,021		19,548					11	99,061
CA DEBT ADVISORY COMM		1	10	2,200									
CA HOUSING FINANCE AGENCY	2	0	113		22,827		1,400					10	
CA MARITIME ACADEMY	1						2,000						
CA MEDICAL ASSIST COMM	1	0	27		6,677								
CA POLLUTION CONTROL FINANCING	1	1	25	3,360	1,360							3	
CA ST COL BAKERSFIELD	1	11	30		3,462						10,080		
CA ST COL SAN BERNARDINO	9	0	147		23,904								23,414
CA ST COL SONOMA	1		4		625							1	
CA ST COL STANISLAUS	4	0	10		2,438		1,556						14,493
CA ST POLY UNIV POMONA	7	0	109		29,046							8	3,454
CA ST UNIV & COL, BD TRUSTEES	7	0	160		41,495								2,800
CA ST UNIV CHICO	6	0	38		15,911		5,544				9,600		640
CA ST UNIV FRESNO	1	2	102	12,328			9,600					400	
CA ST UNIV FULLERTON	5	0	76		15,490								
CA ST UNIV HAYWARD	1	0	9		27,390							65	
CA ST UNIV HUMBOLDT	3	0	77		18,394		5,990						
CA ST UNIV LONG BEACH	2	0	17		1,620								2,500
CA ST UNIV LA	5	0	205		44,823							43	
CA ST UNIV NORTHRIDGE	2	0	35		22,214							17	8,112
CA ST UNIV SACRAMENTO	3	0	77		12,399							714	25,397
CA ST UNIV SAN DIEGO	20	9	322		89,973		825						5,016
CA ST UNIV SAN FRANCISCO	3	0	96		13,324							299	39,500
CA ST UNIVERSITY SAN JOSE	6	0	122		28,845		1,500						
CA SUMMER SCHOOL FOR THE ARTS	1	0	9		2,010							6	
CA TAHOE CONSERVANCY	1	0	14		3,119								
COLORADO RIVER BOARD	0	1	12	5,055									

DATA FROM SYSTEM RUNNING AT TDC (UPDATED AS OF 6-30-90)

AGENCY	NUM. OF LEASES	NUM. OF ASSIGNMENTS	AUTHORIZED PERSONNEL	OFFICE SPACE	OFFICE LEASED	STORAGE	STORAGE LEASED	PARKING AREA	PARKING LEASED	PARKING SPACES	PARKING LEASED	OTHER	OTHER LEASED
GS BUILDING STANDARDS COMM	1	0	7		2,000								
GS BUILDINGS AND GROUNDS	1	38	454	24,284	3,612	111,276				10	4	61,033	
GS COMMUNICATIONS	24	54	159		7,956	4,785	1,092			4	23	38,380	3,839
GS ENERGY ASSESSMENT	1	0	23	5,082									
GS FISCAL SERVICES	0	1	20	3,250									
GS FLEET ADM GARAGE OPERATIONS	3	5	69	3,965	100	525		394,490	39,443	1,235	1		
GS FLEET ADM PARKING ADMIN	1	1	2	120							50		
GS FLEET ADM PARKING FACILITIE	2	27	9					1,153,944	31,862	3,877	41		
GS FLEET ADM	4	7	62	4,094	1,995	1,046	29,775	239,500		692	4		
GS INSURANCE AND RISK MGMT	1	0	24	0	7,395								1,086
GS LEGAL OFFICE	0	1	22	3,892									
GS LOCAL ASSISTANCE	3	0	77		37,065						27		
GS MSO RECORDS CENTER	1	0	12		2,500		87,500						
GS MSO RECORDS MGMT	1	0	12		3,298						2		
GS OFFICE SERVICES	3	13	202	6,796	34,995	1,745	8,957				28		
GS ONTP DATA PROCESSING	1	0	156		33,698						10		
GS PRINTING	0	2	575	23,286		76,252		110,825				195,262	
GS PROCUREMENT	3	2	239		42,959	169,180	172,168				85		7,200
GS PROCUREMENT MATERIAL SVS	1	0					51,015						
GS PROGRAM DEVELOPMENT		1	3	600									
GS REAL ESTATE	1		158		30,050								
GS RECORDS CENTER	0	2	17	1,962		80,585							
GS SMALL AND MIN BUSINESS ADM	1		22		3,985						21		
GS STATE ARCHITECT	4	1	234	14,026	57,274	0	10,890				62		
GS STATE POLICE HEADQUARTERS	6	14	278	14,134	26,534	1,131	0						
GS STATE POLICE REGION I	0	3	6	3,200		270					4		
GS STATE POLICE REGION II	2	4	32	2,078	0								5,870
GS STATE POLICE REGION III	5	6	16	800	0	3,135					7		
GS SUPPORT SERVICES	1	3	17	2,759	1,907	430	0						
GS TELECOMMUNICATIONS	27	9	428	10,911	70,942	6,693	72,692	0	90,148		46		26,512
GS OFFICE OF EDUCATION SURPLUS	1	0	48		7,530								
GS PROCUREMENT MATERIAL SERVS	0	1	18	3,400									
GS SURPLUS PROPERTIES	2		61		4,057		152,078		26,825				27,350
HEALTH AND WELFARE AGENCY		1	75	12,990							137		
HEALTH AND WELFARE DATA CENTER	1	3	351	4,330	118,064								
HEALTH FACILITIES COMMISSION	1		83		13,929								
HEALTH SERVICES		3	1,095	202,790		96							
HEALTH SVS	28	5	2,615	136,335	239,325	6,638	130,678	14,300	0	174	284	58,719	
HEALTH SVS	25	9	1,889	92,275	225,875	3,435	58,453			0	268	0	28,208
HEALTH SVS TOXIC SUBSTANCES CO	9	2	1,308	25,537	202,526	0	16,850	0	15,630	0	315		
HIGHWAY PATROL	144	25	3,638	269,227	139,722	9,796	6,388	331,195	25,513	1,568	848	77,277	85,255
HORSE RACING BOARD	2		27		4,416						13		
HOUSING AND COMUNITY DEVELOPME	12	4	673	6,861	139,040						101		
INDUSTRIAL RELATIONS	54	19	2,360	268,474	227,421	8,359	1,368				533		703
ISURANCE	13	2	877	5,723	159,976	0	4,400			0	31		
JOINT RULES COMMITTEE		1	5	1,840									
JUDICIAL PERFORMACE	1		5		4,569								
JUDICIAL COUNCIL	1	4	224	26,885	31,517	2,755	0				10		

DATA FROM SYSTEM RUNNING AT TDC (UPDATED AS OF 6-30-90)

AGENCY	NUM. OF LEASES	NUM. OF ASSIGNMENTS	AUTHORIZED PERSONNEL	OFFICE SPACE	OFFICE LEASED	STORAGE	STORAGE LEASED	PARKING AREA	PARKING LEASED	PARKING SPACES	PARKING LEASED	OTHER	OTHER LEASED
COMM ON STATE FINANCE	0	1	12	2,245							13		
COMM ON TEACHING CREDENTIALING	1	0	103	20,578			1,150				18		
COMMERCE	6	0	121		28,295		1,641						
COMMISSION ON STATE MANDATE	1	0	13		2,559						20		
COMMUNITY COLLEGES	2	0	270		59,849								
COMPENSATION INSURANCE FUND	2	0									72		2,610
CONSERVATION	12	9	721	70,269	57,916	400	19,649				950		42,474
CONSUMMER AFFAIRS	67	12	1,836	29,635	371,511	1,110	18,452		11,811		89		3,542
CONTROLLER	4	3	1,453	4,595	273,607	470	5,237				38		732
CORPORATIONS	6	3	909	2,262	158,205	680	1,804						
CORR TRAINING FACILITY	1										508	2,880	111,820
CORRECTIONS	42	5	2,534	21,590	473,046		162,814		70,000		1,054		
CORRECTIONS PROLE&COMM SER	60	2	1,657	19,008	290,394		610					5,480	
COURT SUPREME	1	1	96	14,680	5,913		700						
COURT 1ST APPELLATE DISTRICT	0	2	220	44,180		3,844					33		
COURT 2ND APPELLATE DISTRICT	2	0	190		85,133		4,000						
COURT 3RD APPELLATE DISTRICT	0	2	60	21,885		900					85		
COURT 4TH APPELLATE DISTRICT	2	1	85		47,766	460	3,212				74		
COURT 5TH APPELLATE DISTRICT	1	2	178	18,340	37,579	600					7		
COURT 6TH APPELLATE DISTRICT	1		51		22,845								
CRIMINAL JUSTICE PLANNING	3	0	153		29,608						3		5,248
DEVELOPMENTAL SERVICES	2	3	89,333	6,257		6,257					35		
ECONOMIC OPPORTUNITY	1	96		14,148							163		4,600
EDUCATION	16	7	157,194	165,094	89,091	284,372							
EMER MEDICAL SVS AUTHORITY	1	29		3,836							53		19
EMERGENCY SERVICES	15	4	8,496	27,596	405	2,100					8,524		4,595
EMPLOYMENT DEVELOPMENT DEPT	179	13	11,452	674,330	1,616,501	6,485	81,627		39,058				
ENERGY COMMISSION	0	2	435	103,372		1,365					812		201
EQUALIZATION	63	11	3,237	216,868	306,674	14,350	15,641						
FAIR EMPL & HOUSING COMM	1	0	15		3,676						43		
FAIR EMPL & HOUSING DEPT	10	2	404	16,130	42,297								
FAIR POLITICAL PRACTICES	2	0	80		25,717		969						
FAIRS AND EXPOSITIONS	1	1	5	1,444							13		
FINANCE	2	1	442	3,750	84,612		1,451				83		
FIRE MARSHAL	17	2	196	613	44,841		1,000				190		15,156
FISH AND GAME	100	6	669	50,623	80,820	360	70,499				334	14,238	21,152
FOOD AND AGRICULTURE	78	11	1,496	141,496	109,128	29,325	63,874	6,000	113,931	30	16	2,160	9,439
FORESTRY	129	6	328	47,320	5,083		82,586				3,216		960
FORESTRY AND FIRE PROTECTION	22	1	143	4,140	20,815		19,872						
FRANCHISE TAX BOARD	21	11	4,437	512,092	376,118	470	45,845			2,196	450		
GOV PLANNING AND RESEARCH	1	3	96	15,745		1,070	200						
GOV ADVISORY COMM ON CHILD DEV	0	1	5	767							4	2,525	1,433
GOVERNOR'S OFFICE	7	6	183	29,187	5,231	470							
GOVT ORGANIZATION & ECONOMY	1		8		1,870								
GS-ACCTG FINANCIAL SERVICES	1		16		21,111								
GS ADMINISTRATION	0	1	25	7,068									
GS ADMINISTRATIVE HEARINGS	1	3	125	20,927	9,920								
GS ADMINISTRATIVE SERVICES	0	4	82	17,439			716						

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AGENCY	NUM. OF LEASES	NUM. OF ASSIGNMENTS	AUTHORIZED PERSONNEL	OFFICE SPACE	OFFICE LEASED	STORAGE	STORAGE LEASED	PARKING AREA	PARKING LEASED	PARKING SPACES	PARKING LEASED	OTHER	OTHER LEASED
JUSTICE	53	7	3,945	352,672	556,317	28,175	23,523		3,668	0	2,652	4	8,975
JUSTICE EXEC OFFICE	2	0	11		1,370						5		1,640
LAW REVISION COMMISSION	1		7		1,280		100						
LEGIS		1				200							
LEGIS ASSEMBLY RULES	1	10	109	20,735	2,845	11,025	0						
LEGIS JOINT COMMITTEES		3		168,160		2,270		41,700		132			
LEGIS SENATE RULES COMMITTEE		4	45	11,413									
LEGISLATIVE BUDGET COMMITTEE		1				720							
LEGISLATURE, ASSEMBLY		4	23	6,635		75							
LIEUTENANT GOVERNOR	1	2	40	4,150	3,060						1		
MENTAL HEALTH	8	4	519	76,791	12,706						53		
MILITARY	67	1	998	2,988	111,141	0	64,443				363		296,669
MISC PRIVATE ORG SPACE INV		1		3,762									
MOTOR VEHICLES	107	8	1,605	42,153	426,605	626	74,227	588	36,930	428	3,506	1,714	4,131
NATIVE AMER HERITAGE COMM		1	4	770									
NEW MOTOR VEH BOARD	1		37		8,299						20		
PARKS AND RECREATION	39	4	912	111,464	49,534		85,200				232		12,538
PARKS AND RECREATIONDISTRICT 1	4	0	20		4,151		1,286		16,900		8		6,774
PARKS AND RECREATIONDISTRICT 2	5												
PARKS AND RECREATIONDISTRICT 3	7	0	23		6,458						23		
PARKS AND RECREATIONDISTRICT 4	12	1	39	4,268	1,417	2,500		1,120		40			1,008
PEACE OFF STANDARDS & TRAINING	1		93		22,578						48		
PERSONNEL ADMIN	1		179		51,991		518				2		
PERSONNEL BOARD	1	4	377	62,539	4,816	1,120	2,215				2		
POST SECONDARY ED	1		61		14,955						9		
PRISON INDUSTRY AUTHORITY	2	0	153		27,465						84		
PUBLIC EMPLOYEES RETIREMENT	2	4	59	9,715	1,944						2		
PUBLIC EMP REL BD	3		81		29,026						19		
PUBLIC UTILITIES COMMISSION	16	10	294	35,179	22,108	215					38		26
REAL ESTATE	3	6	454	32,158	58,874	940					55		
REHABILITATION	115	41	2,514	58,531	456,041	1,343	10,478				926	144,172	
RESOURCES AGENCY		1	25	6,270									
ROBERT PRESLEY INSTITUTE	1		3		686						2		
SAVINGS AND LOAN	2		150		22,017						11		
SECRETARY OF STATE	4	6	465	28,759	64,980	21,600	2,000				9		
SEISMIC SAFETY COMM	1		16		3,830						4		
SENATE JOHN GARAMENDI		1	12	2,050									
SF BAY CONSERV&DEVELOPMENT	1		29		8,835						4		
SOCIAL SERVICES	54	8	4,281	204,725	545,135		44,965		3		392		
SPACE ASSIGNED TO FEDERAL GOV		2		1,360									
SPACE ASSIGNED TO LOCAL GOV		1		4,934									
STATE & CONSUMER SVS AGENCY		1	20	4,090									
STATE CONTROLLED TO OTHERS	1	7	8	4,011	220	2,047							
STATE LANDS	3	2	268	17,291	38,052	163					83		
STATE PUBLIC DEFENDERS LA		1	65	11,396									
STATE PUBLIC DEFENDERS SF	1		28		8,285								
STATE PUBLIC DEFENDERS SAC	1		31		11,029								
STATUS OF WOMEN	1		11		2,983								
STATEWIDE HEALTH PLANNING AND	1	3	306	45,153	6,276	180							

DATA FROM SYSTEM RUNNING AT TOC (UPDATED AS OF 6-30-90)

10-Aug-90

AGENCY SUMMARY OF LEASED AND ASSIGNED SITES/FACILITIES

AGENCY	NUM. OF LEASES	NUM. OF ASSIGNMENTS	AUTHORIZED PERSONNEL	OFFICE SPACE	OFFICE LEASED	STORAGE	STORAGE LEASED	PARKING AREA	PARKING LEASED	PARKING SPACES	PARKING LEASED	OTHER	OTHER LEASED
STUDENT AID COMMISSION	2		207		46,479		2,935				10		
TEALE DATA CENTER	3		643		194,792		23,718				246		
TRAFFIC SAFETY	1		27		5,773						13		
TRANS DISTRICT 02	1		31		7,891						10		
TRANS DISTRICT 03	5	1	208	4,940	21,328						28		
TRANS DISTRICT 04	5	1	1,308	11,184	210,927						158		
TRANS DISTRICT 05		1		2,460									
TRANS DISTRICT 06	1		88		17,278								
TRANS DISTRICT 07	4	2	2,063	233,917	152,682	7,195	0	394,700		1,188	453	83,842	
TRANS DISTRICT 08		1	0			160							
TRANS DISTRICT 09	1		21		4,320							1,359	
TRANS DISTRICT 10		1		3,600							2		
TRANS DISTRICT 11	3		177		32,693								
TRANS TOLL BRIDGE	12	2	2,881	307,625	183,983	8,104	1,325	135,078	0	468	285	41,498	900
TRANSPORTATION	1	4	294	53,151	1,747	1,430						4,000	
TREASURER		1									119		
UC LOS ANGELES	11	6	339	33,337	33,847	3,990			9		3		
VETERANS AFFAIRS	4		89		23,315		4,429				206		1,055
WASTE MGMT BOARD	17	2	1,318	101,334	152,596	391	7,649				196	1,920	444
WATER RESOURCES CONTROL BOARD	20	9	902	300,225	101,432	6,833	132,253				6		
WATER RESOURCES	2	1	29	2,349	3,890								1
WORLD TRADE COMMISSION	1						444						
WQCB LAHONTAN	1		6		4,713						256		
WQCB NO COST REG SANTA ROSA	1		378		79,900						16		
YOUTH AND ADULT CORR AGENCY	1		33		6,920		939				16		
YOUTH AUTHORITY	4		50	3,109	7,465						284		16,996
YOUTH AUTHORITY SACRAMENTO	5	1	399		94,765		790						
YOUTH AUTHORITY OUT OF TOWN	35												
TOTAL	2,124	767	343,417	6,054,796	11,569,162	937,416	1,965,054	2,823,440	523,086	12,049	32,917	756,134	988,842

NOTES:
AUTHORIZED PERSONNEL: FULL TIME AUTHORIZED PERSONNEL.
OFFICE SPACE: IN SQUARE FEET
STORAGE SPACE: IN SQUARE FEET
PARKING AREA: IN SQUARE FEET
PARKING SPACES: IN UNITS
OTHER: INCLUDES UNITS, ACRES, AND SQUARE FEET

Source: Department of General Services, Office of Real Estate and Design Services

APPENDIX C

WITNESSES AT COMMISSION HEARINGS ON REAL PROPERTY MANAGEMENT

March 16, 1989 - Real Property Management

Department of General Services

W. J. Anthony, Director

Paul Savona, Chief
Office of Real Estate and Design

Darrell Haynes, Assistant Chief
Office of Real Estate and Design

Department of Transportation

Carolyn Peirce Ewing, Deputy Director

Department of Parks & Recreation

Les McCargo, Chief Deputy Director

Ken Mitchell, Chief
Acquisitions Division

Department of Developmental Services

David Bourne, Assistant Deputy Director

Mike Koester, Manager
Facilities Planning Branch

February 28, 1990 - Real Property Management

Department of General Services

Robert Wright, Deputy Director

Paul Savona, Chief
Office of Real Estate and Design

Dwight Weathers, Senior Real Estate Officer

United Property Services

David Wilson, President

California State University

D. Dale Hanner, Vice Chancellor
Business Affairs

California State University, Northridge

Elliot Mininberg, Vice-President
Administration & University Advancement

Governor's Office of Planning & Research

John Salmon, Director
Office of Asset Management

Grubb & Ellis

John Guillory, Vice-President

Pacific Gas & Electric

Keith Lamb, Land Superintendent
Sacramento Valley Region

State Controller's Office

Steven Domseth, Chief
Office of State & Federal
Assistance Audits

June 21, 1990 - Capital Outlay Planning and Financing

Department of Finance

Dennis Hordyk, Program Budget Manager

George Valverde, Chief of Capital Outlay Unit

Department of General Services

Elizabeth Yost, Chief Deputy Director

Darrell Haynes, Chief
Office of Real Estate and Design Services

Loren C. Smith, Chief
Office of Project Development & Management

Governor's Office of Planning & Research

John Salmon, Director
Office of Asset Management

Legislative Analyst's Office

Gerald Beavers, Principal Outlay Analyst

Jon David Vasché, Senior Economist

Moody's Investor Service

George Leung, Vice President &
Managing Director for State Ratings

State Treasurer's Office

Russel Gould, Assistant State Treasurer

Stone & Youngberg

David E. Hartley, Managing Partner

APPENDIX D

INDIVIDUALS INTERVIEWED FOR THIS REPORT

Arizona State Lands Department

Jean Hassel, Director

British Columbia Buildings Corporation

Evan Brewer, Regional Director
Charles Lee, Regional Comptroller
Stephen Marmash, General Counsel

California State University, Northridge

Elliot Minninberg, Vice-President
Administration & University Advancement

California State University System

George Dutra, Chief
Physical Planning & Development

Council of State Governments

Shari Martin, Staff Director

Department of Developmental Services

Carol Hood, Deputy Director
Mike Koester, Manager
Facilities Planning

Department of Finance

Dennis Hordyk, Program Budget Manager
LaFenus Stancil, Assistant Director
George Valverde, Chief
Capital Outlay Unit

Department of General Services

Thomas Clayton, Assistant Chief Counsel
Darrell Haynes, Chief
Office of Real Estate & Design Services
Loren Smith, Chief
Office of Project Development & Management

Department of Parks and Recreation

Kenneth Mitchell, Chief
Acquisition Division

Department of Personnel Administration

David Tirapelle, Director

Department of Transportation

James Gardner, Chief
Office of Asset Management
Martin Kiff, Deputy Director
Division of Resource Management

Governor's Office of Planning & Research

John Salmon, Director
Office of Asset Management

Legislative Analyst's Office

Gerald Beavers, Principal Capital Outlay Analyst
Jon David Vasché, Senior Economist

Los Angeles County Community Development Commission

Judith Kendall, Deputy Director
David Lund, Director

Maryland State Treasurer's Office

Dr. H. Lewis Stettler, III, Chief Deputy Treasurer

State Controller's Office

Jack Brown, Assistant Deputy Controller
Division of Audits
Steven Domseth, Chief
Office of State & Federal Assistance Audits

APPENDIX D (continued)

State Lands Commission

Lester Grimes, Deputy Chief
Land Management
Robert Hite, General Counsel
James Trout, Assistant Executive Director

Twenty-Second District Agricultural Association

Jan Anton, President
Roger Vitalich, Secretary/Manager

Wildlife Conservation Board

James Sarro, Chief Land Agent
John Schmidt, Executive Officer

APPENDIX E

DESCRIPTION OF PROCESS FOR THE STATE TRANSPORTATION IMPROVEMENT PROGRAM

The State Transportation Improvement Program (STIP), prepared by the Department of Transportation (Caltrans), is a sophisticated 5-year plan for developing the States' highway system, mass transportation, and aeronautics projects. The STIP is updated and adopted annually by the California Transportation Commission (CTC), based on input from Caltrans and regional and local transportation agencies. Basically, the process consists of six steps, each with specific annual time frames. As described in Sections 14524 through 14530.5 of the Government Code, the six steps are:

- Based on assumptions of future inflation rates, Caltrans projects available revenues and estimates costs for the upcoming 5-year period covered by the STIP. This step is performed in late August.

- Caltrans recommends updated project and inflation change orders for adoption by the CTC. This step must be performed by October 15.

- Caltrans recommends the proposed STIP to the CTC and regional transportation agencies, incorporating revised fund/project estimates. This step must be completed by March 1.

- Regional transportation agencies and rural counties submit proposed programs to Caltrans, consistent with revised fund/project estimates. This step must be performed by May 1.

- Caltrans issues comparison reports of its proposal and regional/local proposals to the CTC and interested parties for public hearing and comment. This step must be accomplished by May 15.

- The CTC adopts the STIP after public hearing and review of all proposals by Caltrans and regional/local agencies, and transmits to the Governor and the Legislature. This step must be completed no later than July 1.

The adopted STIP is project-specific, and identifies project delivery dates and funding sources for the full 5-year period. The annual Budget Act, effective on July 1 of each year, serves as a commitment for only the immediate fiscal year, and provides the funding for the capital expenditures, non-capital expenditures and personnel-years necessary to deliver the projects, or portions of projects, in that fiscal year. Although budget authorizations for state highway capital expenditures are in effect for three years, authorizations for non-capital expenditures and personnel-years are in effect only during the immediate fiscal year.

APPENDIX F

DEFINITIONS OF DATA ELEMENTS AVAILABLE IN THE STATEWIDE PROPERTY INVENTORY

1. ACTUAL VACATED DATE
   The actual date that an occupied space has been vacated. This field will allow an occupied space to be vacated and excluded from reports and inquiries without actually being deleted yet.

2. ACQUISITION COST
   The internal cost to the agency to acquire a property, exclusive of the purchase or construction costs.

3. ACQUISITION DATE
   The date that the structure was acquired or construction completed.

4. ADDED FACILITIES *
   Any special use area assigned or under lease at office/normal rate; such as, employee rooms, cafeteria, auditorium, etc.

5. ADDRESS NUMBER
   This is the street number only.

6. ADDRESS STREET
   This is the street name only.

7. ADDRESS2
   The second line of the street address if required. This field also may contain items such as building number, suite number, or optional second address.

8. AGENCY LEASE NUMBER
   The agency's own number to uniquely identify a lease.

9. AGENCY NAME
   The name of a state agency, major division or quasi-state agency that has real property interests.

10. AGENCY PARCEL NUMBER
    The agency's own number used to uniquely identify a parcel of real property.

11. AGENCY PROPERTY NUMBER
    A property identifier that a state agency has assigned for its own internal recording purposes.

12. AGENCY STRUCTURE NUMBER
    The identifier assigned by the agency to a state-owned or leased building and used as a key to locate information.

13. AMENDMENT NUMBER
Lease amendments are identifiable by their unique format, and each amendment is numbered at the top of the first page of the document.

14. APPLICABLE DATE
The date used by space planners to determine when a structure characteristic is to be applied. This date is used for both historical and future dates.

15. ASSESSOR BOOK
The county assessor's book number. The first component of ASSESSOR PARCEL NUMBER.

16. ASSESSOR NUMBER
The county assessor's number used to identify the parcel. The third component of ASSESSOR PARCEL NUMBER.

17. ASSESSOR PAGE
The county assessor's page number. The second component of ASSESSOR PARCEL NUMBER.

18. ASSESSOR PARCEL NUMBER
The county assessor, for tax purposes, uses a system of numbers based on map book page, block and parcel, which provides a separate number for each recorded parcel of land in the county. It is divided into the component fields ASSESSOR BOOK, ASSESSOR PAGE and ASSESSOR NUMBER.

19. BASE MERIDIAN CODE
A single digit code assigned to one of the three base meridians in California.
(1 = Mount Humboldt, 2 = Mount Diablo, 3 = San Bernardino)

20. BATCH NUMBER
A number assigned by the Department of General Services' Office of Real Estate Design Services (OREDS) to uniquely identify a particular group of forms that are processed.

21. BILLING ACCOUNT CODE
The billing code for the agency as assigned and used in the existing space inventory system.

22. BOOK VALUE IMPROVEMENTS
The total of the post-acquisition costs of all improvements to a property.

23. BOOK VALUE LAND
The total of the original purchase price for a given property.

24. BOOK VALUE STRUCTURE
The total acquisition or construction costs of all structures on a property.

25. CITY CODE
An internal OREDS code corresponding to a city.

26. CITY NAME
The name of the city as referenced by the CITY CODE.

27. COMPUTER ENTRY DATE
The current date, including time, automatically generated by the computer that denotes the date of an add, change, or delete action in a history file. This date is not the date that a particular action is to take effect (transaction date).

28. CONDITION CODE
An internal OREDS code for the relative condition of the structure.

29. CONDITION DESCRIPTION
The condition of the structure.

30. CONSOLIDATABLE FLAG
A flag assigned and used by the Department of General Services' Office of Project Development and Management (OPDM) to identify if a leased space is consolidatable.

31. CONTACT CODE
A code that identifies the type of contacts for a lease.

32. CONTACT DESCRIPTION
The description of the various types of contacts for a lease.

33. CONTACT NAME
The name or title of the person or entity acting as a lease contact.

34. CONTACT NUMBER
The number that uniquely identifies a lease contact in the contact file.

35. COST OF IMPROVEMENTS
The post-acquisition cost of improvements to the property.

36. COST OF STRUCTURE
The acquisition or construction cost of one or many structures on a property.

37. COUNTY CODE
An internal OREDS code corresponding to a county.

38. COUNTY NAME
The name of the county as referenced by the COUNTY CODE.

39. COUNTRY CODE
An internal OREDS code corresponding to a country.

40. COUNTRY NAME
The name of the country as referenced by the COUNTRY CODE.

41. CPI BASE MONTH
The base month used for CPI (consumer price index) adjustment calculations.

42. CPI BASE YEAR
The base year used for CPI adjustment calculations.

43. CPI BASE
The base amount used to compute the CPI adjustment amount.

44. CPI MONTH
A month that has a corresponding CPI value.

45. CPI TABLE CODE
The code that indicates the CPI Table to be used to calculate CPI figures.

46. CPI TABLE CODE DESCRIPTION
The description of the CPI table code to be used to compute CPI adjustments of lease rents.

47. CPI YEAR
A year that has corresponding CPI values for each month.

48. CURRENT ACREAGE
The current number of acres of the parcel.

49. CURRENT MONTHLY RENT
The current monthly rent paid by a state agency for leased space, including all operating, tax and amortization charges.

50. CURRENT USE ACRES
The number of acres for the specified use of the real property.

51. CURRENT USE CODE
A code that describes whether a portion of a property currently is used by a state program.

52. DATE OF ESTIMATE
The date when an estimate was made for a given state property.

53. DELETED DATE
The date that a lease or assignment was deleted from the system.

54. DIVISION NUMBER
The Department of General Services' billing code for an agency as currently used in the existing space inventory system or as provided by the occupying agency. This code identifies the account to be billed for OPDM and OREDS charges.

55. DOCUMENT NUMBER
An agency-assigned number used to identify the file containing the source documents that contain acquisition, construction and related financial information.

56. DOLLAR OBLIGATION
Any dollar amount that is associated with a lease characteristic.

57. EFFECTIVE DATE
The date that lease events become effective.

58. ESTIMATE COMMENTS
Pertinent information regarding the estimated value.

59. ESTIMATED COST
The estimated cost associated with a given structure characteristic, or predicted future cost to correct applicable condition.

60. ESTIMATED GIFT VALUE
The fair market value at the time of acquisition of a parcel, or a portion thereof, that has been donated to the State.

61. ESTIMATED VALUE
The estimated value of a real property.

62. FILE NUMBER
The file number used by the Proprietary Land Index system and assigned as part of the Secretary of State's number for the parcel at the time of the original transaction. A component of PARCEL HISTORY NUMBER.

63. FIVE-YEAR PERSONNEL PROJECTION
The total number of personnel projected to be occupying a given space in five years. This number is provided by the OPDM.

64. FLOOR ID
Numerical or letter designation for a floor in a building including mezzanines, basements, annexes, etc.

65. FLOOR INSIDE GROSS *
The total of all types of office space. The sum of the areas within the inside surface of the exterior walls of each floor which contains "net" area. Penthouses, sub-basements, etc. that do not contain "net" are not included.

66. FULL-TIME PERSONNEL
The number of full-time personnel for which the state-occupied space was designed.

67. FUNDING SOURCE NAME
The name of the funding source from the Uniform Codes Manual.

68. FUNDING SOURCE NUMBER
This field identifies the state fund used to purchase the property or structure and provides a link to the funding source entity from the Uniform Codes Manual.

69. GRANTOR
The primary grantor of the real property parcel.

70. HISTORY RECORD TYPE
The type of record that the history record is: Add, Change, or Delete.

71. INTERNATIONAL PHONE PREFIX
This field contains the international access code and country code for an international telephone number.

72. LAST UPDATE DATE
The date on which the record was last updated.

73. LEASE CHARACTERISTIC
A date, event, or characteristic that affects a lease.

74. LEASE CHARACTERISTIC CODE
The code that identifies the characteristics applicable to a given lease.

75. LEASE CHARACTERISTIC COMMENTS
Essential comments relating to a given lease characteristic.

76. LEASE NUMBER
The unique number that identifies the lease.

77. LEASE OR ASSIGNMENT NUMBER
The lease number or a sequential number used to identify an interagency space assignment within a given structure number.

78. LESSEE AGENCY NUMBER
The agency number, from the Uniform Codes Manual, assigned to the agency that is paying the rent to the lessor.

79. LESSEE DIVISION NUMBER
The number of the division within the agency that is responsible for the lease.

80. LESSOR FEDERAL TAX ID NUMBER
The unique tax identification number assigned to certain lessors. Lessors that are partnerships, corporations or other non-person entities use Federal ID tax numbers. Lessors that are persons use Social Security Numbers in this space on the lease.

81. LOCATION DESCRIPTION
A concise location description, for a portion of a real property parcel with a specific current use.

82. MANAGING AGENCY NUMBER
The agency number, from the Uniform Codes Manual, assigned to the agency that manages the state-owned or leased space.

83. MANNER ACQUIRED CODE
A code (as referenced by the TRANSACTION TYPE) indicating the type of instrument used to originally acquire title to the parcel.

84. MANNER ACQUIRED DESCRIPTION
A description of the type of instrument used to originally acquire title to the parcel.

85. MULTIPLE FUNDING SOURCES FLAG
A flag to indicate whether or not the state-owned structure or parcel has more than one funding source.

86. NET OFFICE AREA *
Total assignable square feet of "office quality environment" (including lighting, HVAC, janitor service):

Includes offices, assigned conference rooms, reception, supply and special-use rooms, corridors, laboratories and special-use or private toilets. Also includes employee room, cot, and lounge rooms; auditoriums; and cafeterias.

Does not include general or required toilet rooms, stairwells, elevator shafts, building equipment and service areas, stacks and shafts, dedicated public corridors, corridors required by code, and public lobbies.

87. NET STORAGE AREA *
The square footage of storage space contained on a floor or in a lease.

88. NOTIFICATION DATE
The dates to notify lessee agencies and OREDS staff of upcoming lease events, such as rent increases and alteration inspections.

89. NUMBER OF DAYS PRIOR NOTICE
The number of days prior notice that must be given by the lessee agency before the exercise of certain options, such as the cancellation of a lease and the exercising of a purchase option.

90. OCCUPANCY OR BEGINNING DATE
The beginning or occupancy date for leases. For state-owned occupied spaces, this is the beginning date of the assignment. This is the date that rent is charged to the agency.

91. OCCUPYING AGENCY NUMBER
The agency number, from the Uniform Codes Manual, assigned to the agency occupying the space.

92. OREDS CHARGES APPLY
A response (Y, N) indicating whether OREDS lease management charges are applicable to the space (managed by the Department of General Services) for billing purposes.

93. ORIGINAL ACREAGE
The original number of acres of the parcel at the time of purchase.

94. PARCEL CHARACTERISTIC
A description of the characteristics (as specified in the PARCEL CHARACTERISTIC CODE) that apply to the parcel, such as mineral rights and easements.

95. PARCEL CHARACTERISTIC CODE
The code identifying the characteristics of each real property parcel. This non-unique identifier can be in reference to one or more characteristics associated with a real property parcel.

96. PARCEL COMMENTS
Essential comments relating to a given parcel characteristic.

97. PARCEL HISTORY NUMBER
A numeric identifier used to locate a record within the PARCEL HISTORY file. It is composed of the PROPRIETARY LAND INDEX AGENCY NUMBER and FILE NUMBER from the Proprietary Land Index System.

98. PARCEL SERIES
The three-digit sequential number that is used to distinguish multiple counties within a parcel or to delineate between two different parcels which have the same PARCEL HISTORY NUMBER.

99. PARCEL SERIES COMMENTS
These fields are filled out if any of the Parcel History items need further explanation or if there is other information about the parcel that should be noted.

100. PART-TIME PERSONNEL
The number of part-time personnel for which the space was designed.

101. PERCENT OF RENT APPLICABLE
Used as a rent basis for the effective office rate and storage rate calculations related to a lease.

102. PERSONNEL BASE YEAR
The year in which FIVE-YEAR PERSONNEL PROJECTION and TEN-YEAR PERSONNEL PROJECTION figures are determined.

103. PHONE NUMBER
This field contains both the area code and phone number. It is divided into the component fields AREA CODE, PHONE PREFIX and PHONE SUFFIX.

104. PLANNING AREA CODE
A geographical location code assigned and used by the OPDM to support their planning decisions.

105. PLANNING AREA DESCRIPTION
A description of a geographical location used by the OPDM, corresponding to a PLANNING AREA CODE.

106. PROJECTED USE CODE
The code that indicates whether a given portion of a real property parcel is projected to be used by a state program.

107. PROJECTED USE DATE
The date of the projected use for a given portion of a real property parcel.

108. PROPERTY NUMBER
This is a number used to associate an acquisition to either a parcel or a structure. This number is either the PARCEL HISTORY NUMBER or the STRUCTURE NUMBER.

109. PROPERTY TYPE
This is the field to distinguish between the possible property types for a given property. The possible types are land, structure, and improvement.

110. PROPERTY USE CODE
The code that describes whether a state property currently is, or is projected to be, used by a state program. This code is referenced by the CURRENT USE CODE and PROJECTED USE CODE fields.

111. PROPERTY USE DESCRIPTION
A statement of whether a state property currently is, or is projected to be, used by a state program.

112. PLI AGENCY NUMBER
The Secretary of State number prefix assigned to the real property parcel files. A component of PARCEL HISTORY NUMBER.

113. PURCHASE PRICE LAND
The original purchase price of the land.

114. QUANTITY OF UNIT
The number of units used in occupied state-owned or leased space. This quantity is associated with the unit of measure specified in UNIT CODE.

115. RANGE
The number and letter (E or W) identifying the range in which the real property parcel is located.

116. RATE PER UNIT
The rate charged per unit (as specified in UNIT CODE) of state-occupied space.

117. REAL PROPERTY DESCRIPTION
A concise description of a real property that identifies its boundaries and any pertinent features.

118. REAL PROPERTY NAME
The name of the real property that describes its use.

119. REAL PROPERTY NUMBER
A sequential number assigned to a real property and used as the primary key for access in the REAL PROPERTY file.

120. RECORDED BOOK
The county recorder's book number.

121. RECORDED DATE
The date the parcel was recorded by the county recorder.

122. RECORDED PAGE
The county recorder's page number.

123. RENT WITHOUT CPI
The current rent of a given lease exclusive of CPI adjustments.

124. REPORTABLE FLAG
A flag indicating whether the state-owned structure should be included in the fixed assets report.

125. SECTION
The number of the section within a township in which the parcel is located.

126. SITE IMPROVEMENT NUMBER
A number assigned to each site improvement on a structure or a property; also used as a primary key to the improvement file.

127. SPACE TYPE CODE
The code which identifies the type of space for a lease or an assignment.

128. SPACE TYPE DESCRIPTION
The related description of a SPACE TYPE CODE.

129. SQUARE FOOTAGE *

1. Area measurement used in occupied state-owned or leased space.

2. A control total -- by floor and by building -- used to reconcile ongoing changes in space assignments in state-owned buildings.

130. STATE CODE
The standard two character alphabetic code used by the Federal Postal Service to reference a state.

131. STATE NAME
The full name of a state in the United States.

132. STATE-OWNED CODE
A code indicating whether an occupied space is state-owned or leased.

133. STATE POLICE CHARGES APPLY
A response (Y, N) indicating whether State Police charges are applicable to the space (managed by the Department of General Services) for billing purposes.

134. STRUCTURE CHARACTERISTIC
The structure characteristic as referenced by the STRUCTURE CHARACTERISTIC CODE.

135. STRUCTURE CHARACTERISTIC CODE
A unique code that identifies a particular characteristic of a building, such as fire/life safety and asbestos inspection.

136. STRUCTURE CHARACTERISTIC COMMENTS
Essential comments relating to a characteristic of a specific structure.

137. STRUCTURE COMMENTS
Essential information about a leased or state-owned structure that may be useful to space planners.

138. STRUCTURE NAME
The name (if available) that is commonly used to identify the structure.

139. STRUCTURE NUMBER
A number that is assigned to each structure on a property and used as the primary key to the structure file.

140. STRUCTURE USE CODE
A general code used to identify whether the structure is used by a state program.

141. STRUCTURE USE DESCRIPTION
A statement of whether the structure is used by a state program.

142. SUITE OR ROOM
Optional field that may be used to identify a specific suite or room of an occupied space.

143. SURPLUS DECLARATION FLAG
An identification of the surplus real property as declared by the agency.

144. TARE *
Utility areas required for the function of the building, such as: stairways, elevators, dedicated corridors (corridors required by code and not lockable for the exclusive use of one agency), public lobbies, toilets, duct shafts, fan and boiler rooms, etc.

145. TEN-YEAR PERSONNEL PROJECTION
The total number of personnel projected to be occupying a given space in ten years.

146. TITLE INSURED FLAG
A flag identifying if the real property had title insurance at the time of the acquisition.

147. TOWNSHIP
The number and letter (N or S) identifying the township in which the parcel is located.

148. TRANSACTION ACREAGE
The change in acreage for a parcel as the result of an add, change, or delete transaction. For an add or a delete, this quantity will be the current acreage amount. For a change, this quantity will be the difference between the new current acreage and the previous current acreage.

149. TRANSACTION DATE
The date that the real property parcel was acquired by the state agency.

150. TRANSACTION TYPE
The manner used to acquire title to the parcel.

151. UCM AGENCY NUMBER
The state agency number recorded in the Uniform Codes Manual, Organization Section, and used as the primary key for reference.

152. UCM LEASE MANAGING AGENCY NUMBER
The number of the state agency responsible for a particular lease, as referenced in the Uniform Codes Manual, Organization Section.

153. UCM STRUCTURE MANAGING AGENCY NUMBER
The number of the state agency responsible for a particular structure, as referenced in the Uniform Codes Manual, Organization Section.

154. UNIT CODE
A unique code that identifies a particular unit of measure, such as square feet, acres, or spaces.

155. UNIT DESCRIPTION
The related description of the UNIT CODE.

156. ZIP CODE
The mailing address zip code.

157. ZIP 4
The 4-digit code added on to a 5-digit zip code.

Source: Department of General Services, Office of Real Estate and Design Services.