



GENERAL SERVICES
smart stewardship

**REPORT TO THE STATE
ADMINISTRATION AND VETERANS'
AFFAIRS INTERIM COMMITTEE**

RESPONSE TO SB236:
Real Property Management Strategy Study

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BACKGROUND

SB 236, passed in the 2019 legislature, stated the Legislature’s goal to evaluate the need for a centralized, statewide real property management strategy covering state real property assets and tasked the Department of Administration (DOA) to recommend options that would enable the department to develop a centralized, statewide property management strategy.

Historically, the Department of Natural Resources and Conservation (DNRC) has been the repository for state records reflecting ownership of non-trust state lands held by state agencies. Based on SB 236 and the bill’s legislative history, the Legislature clearly wants to develop a more comprehensive inventory of these lands. One option is for the DNRC to manage this more comprehensive function to effect a centralized, statewide real property management strategy with assistance from DOA. The second option is for the DNRC and the DOA to jointly manage the function. The third option is for the DOA, through its General Services Division (GSD), to manage this centralized function and work with the DNRC to transition its records to GSD over a period of time.

Given that GSD manages the state’s leasing responsibilities and that the DOA’s Risk Management and Tort Defense Division insures the state’s buildings, GSD has conducted a study to develop this centralized function and prepare a strategy to implement it.

This report, therefore, focuses on this option and provides details for the Legislature’s review to help determine a path forward.

Option #1	Option #2	Option #3 (this report)
<p>Department of Natural Resources and Conservation (DNRC) manages developing a more comprehensive inventory of non-trust state lands held by state agencies to effect a centralized, statewide real property management strategy with assistance from DOA.</p>	<p>DNRC and the Department of Administration (DOA) jointly manage developing a more comprehensive inventory of non-trust state lands held by state agencies to effect a centralized, statewide real property management strategy.</p>	<p>DOA, through its General Services Division (GSD), manages developing a more comprehensive inventory of non-trust state lands held by state agencies to effect a centralized, statewide real property management strategy, and works with the DNRC to transition its records to GSD over a period of time.</p>

STRATEGY & GOALS

Intent

GSD recommends developing a first-class centralized real property program that:

- Provides a central location for all real property records
- Provides quality customer service for those seeking State-owned real property information
- Provides more expansive metrics to better audit real property holdings
- Increases the taxpayer return on value by making reporting regarding State real property holdings, building usage rates, etc., available to the Legislature, state agencies, and the Governor’s Office
- Remains a timely and accurate resource for Legislative and Governor inquiries

Scope

GSD has determined that this project will require extensive front-end development so that the inventory database and web application meet the state’s and the public’s needs. GSD proposes to work closely with the DNRC to ensure the secure transfer of real property records and continuity of customer service. SB 236 recognizes that the state does not currently have a complete and accurate inventory of all non-trust real property owned by the state. Given this deficiency and the potential unknowns, the scope could change.

GSD estimates that a real property program could be developed and operational within 4-5 years, and has broken the overall scope into three phases. The first phase is the most time- and funding-intensive. Phase 2 covers the transition between development and general operations. The third phase includes general operation of the real property program and identifies missing real property records.

Funding of the additional staffing and resources outlined in this report is critical to the success of the real property program as GSD does not currently have the necessary staffing or resource capacity to do so.

A real property management program that oversees a centralized real property inventory can help streamline the transfer of State-owned property and will be a comprehensive resource for timely and accurate information regarding State-owned real property inquiries. Should the Legislature determine that the DOA through GSD is a suitable authority for this program, this report outlines GSD’s strategy to address these issues.

RECOMMENDED PROJECT OVERVIEW



STEP 1 **Receive**

GSD will receive all non-trust land real property records from DNRC.

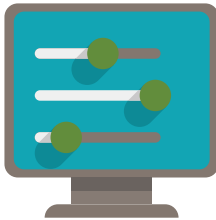
Documents will need to be stored in an accessible, secure location. These records will be digitized; however, GSD may need to access them in the interim in order to answer real property inquiries.



STEP 2 **Define**

GSD must define business requirements of the real property management system and processes that will be foundational to the real property program.

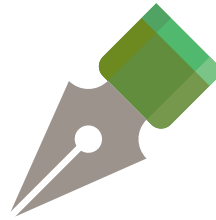
These processes will also inform database and web application development decisions and project future program needs.



STEP 3 **Develop**

A SQL database and web application must be developed, either new or adapted from the existing GSD leased property database.

The web application will be the portal where users access real property information, manage real property records, and run reports. There will likely need to be several levels of access, including public users and administrative users.



STEP 4 **Draft**

Policies that support and define the purpose of the real property management system will need to be drafted, reviewed, and published.



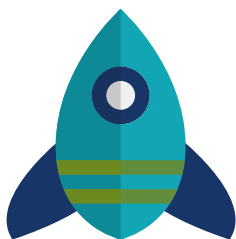
STEP 5 **Scan**

Currently, there is no digital archive of the property records. GSD will need to scan these records to ensure their longevity, make them available to the public or state agencies, and better organize and manage a real property inventory database and web application. Extra staffing may be required to carry out this organizational effort.



STEP 6 **Test**

Through a series of project iterations, GSD will test the database and web application against the workflow processes and business requirements in order to quickly develop improved iterations of the management system. While this step moves quickly, it also requires the continuous dedication of the GSD development team.



STEP 7 **Launch**

The database and web application will require regular management and upkeep to respond to property inquiries in a timely manner, and ensure the continued stewardship over a complete inventory of State-owned real property records. GSD's existing workforce is unable to allocate the necessary time to carry out these tasks, and will require new FTEs to focus on this effort.

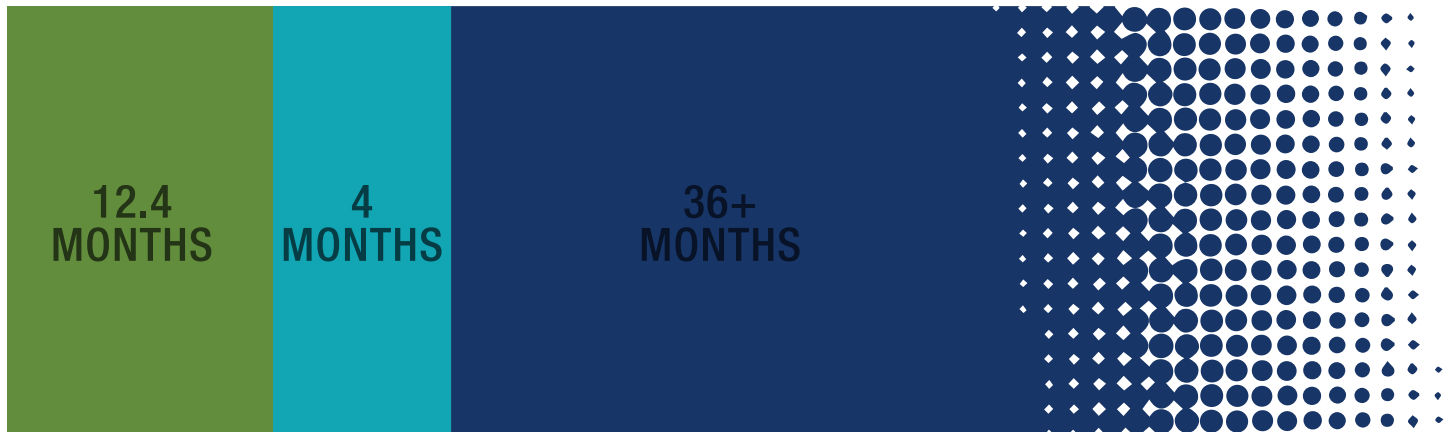
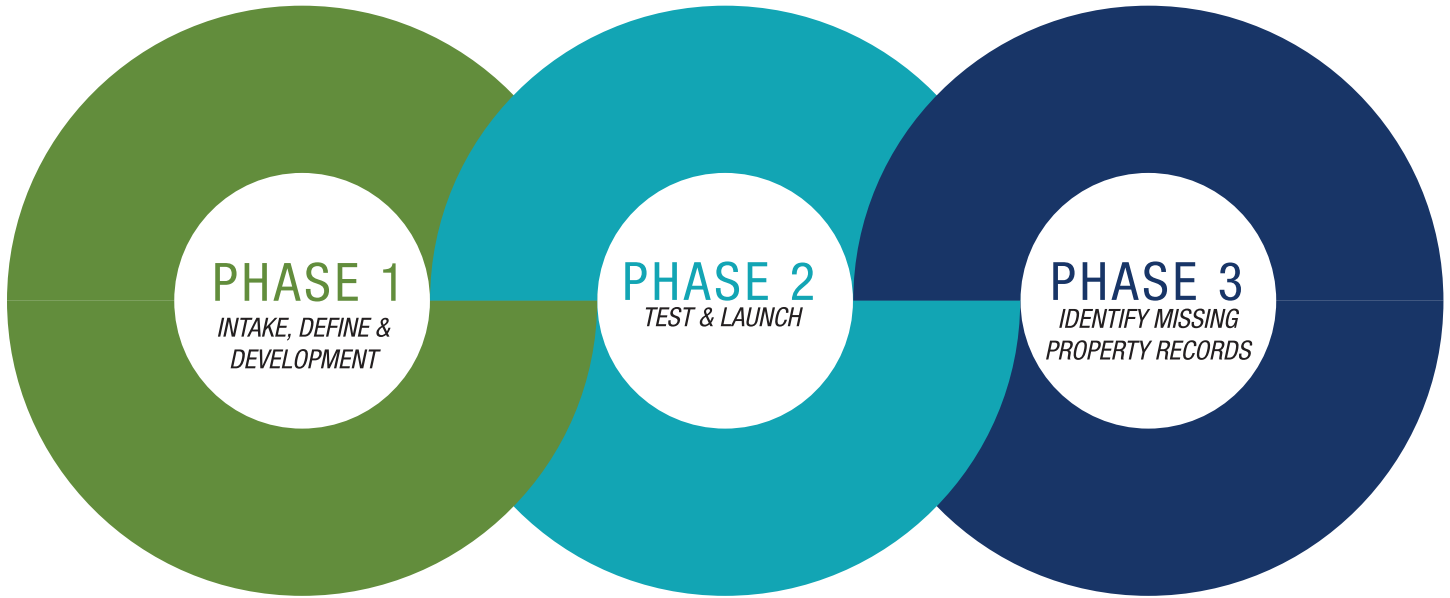


STEP 8 **Locate**

GSD will need to perform a comprehensive real property inventory audit to remove any duplicative records.

Locating missing real property records will require an employee(s) to travel to county courthouses across the state to correctly identify and record property records that are not in the GSD real property inventory. Contracting services with third party organizations may be costly.

ESTIMATED PROJECT DURATION



Overview

GSD believes that the comprehensive success of this project relies on the completion of all the proposed phases outlined in this report. While some of the steps and activities identified within each phase can happen concurrently, the phases themselves must be completed in a consecutive sequence.

Phase 1 Duration

The first phase of this project involves extensive front-end development that will serve as the foundation from which the real property program will grow. Some of the most time-intensive activities occur in this first phase, along with the most staff assigned to those activities. Within the current scope, GSD projects this phase will take roughly 54-weeks, or 12.2-months to complete.

Phase 2 Duration

Upon the completion of Phase 1, the project will immediately transition into Phase 2. This second phase

will test the system and processes that were developed over the course of Phase 1. Once testing and final development are complete, the real property program will officially launch. GSD estimates that this phase will take roughly eight weeks, or two months, to complete.

Phase 3 Duration

Phase 3 seeks to identify property records that are not already in the centralized GSD real property inventory. Building relationships with other state agencies and gaining familiarity with the existing real property inventory will support the success of this phase, and may require a delayed start of Phase 3 upon the completion of Phase 2. GSD estimates that Phase 3 will take 36-months, or three years, to complete.

Summary

In total, the study GSD conducted demonstrates that all three phases outlined in this report can be completed in the span of 4-5 years, at which time a real property inventory program would be fully functional.

ESTIMATED PROJECT COSTS

Overview

Should the Legislature determine that GSD is a suitable authority for this program, GSD will need the funding to commit the necessary time and staffing to this project.

Phase 1 Costs

All new staff onboarding will occur during this first phase, which includes two temporary scanning techs, a permanent full-time property record generalist, a permanent full-time real property management specialist, a permanent full-time property inventory coordinator, and a contracted application developer. This staffing will be paramount in achieving the tasks within their estimated timelines.

The three FTEs recommended in this study will be necessary in supporting the minimum functions of this program. A property record generalist will be responsible for tasks such as cataloging documents and helping with

the future intake of records. A Real Property Inventory Coordinator will aid in database management and record location efforts. A Real Property Specialist will be a property advisor, oversee property audit reports, and supervise all functions of a real property program.

As a result of this influx in staffing, the majority of total one-time costs and ongoing costs (costs incurred annually) over the course of the project arise in this phase as well.

Phase 1 also includes the associated costs of work hours existing GSD staff will dedicate to developing program processes, policies, and overall guidance regarding the transfer of State-owned real property.

Ongoing costs in this phase are comprised of server space fees and staff positions. GSD does not have the budget capacity to take these costs on annually, and will need regular funding in order to support the continued success of a real property program once it has launched.

PHASE 1

INTAKE, DEFINE, DEVELOPMENT

6W

6W

32W

10W

TASKS BROKEN DOWN

● Define processes and program requirements

- DURATION: 6 WEEKS
- ONGOING COST: \$177,507.00
- ONE-TIME COST: \$19,684.56

● Draft policies

- DURATION: 6 WEEKS
- ONGOING COST: \$0.00
- ONE-TIME COST: \$22,694.96

● Develop application database and web application

- DURATION: 32 WEEKS
- ONGOING COST: \$99,874.40
- ONE-TIME COST: \$164,240.00

● Scan, review, and catalog existing property records

- DURATION: 10 WEEKS
- ONGOING COST: \$0.00
- ONE-TIME COST: \$103,428.00

PHASE 1 TOTAL BUDGET NEEDS

TOTAL.....\$587,428.92

ONGOING.....\$277,381.40 ONE-TIME.....\$310,047.52

THIS BUDGET INCLUDES ESTIMATES FOR ESSENTIAL EXTRA STAFFING NEEDS

Property Record Generalist
FULL-TIME STATE EMPLOYEE

Real Property Management Specialist
FULL-TIME STATE EMPLOYEE

Temporary Scanning Tech
TEMPORARY STATE EMPLOYEE

Real Property Inventory Coordinator
FULL-TIME STATE EMPLOYEE

Temporary Scanning Tech
TEMPORARY STATE EMPLOYEE

Application Development Contractor
CONTRACTOR

PHASE 2

TEST AND LAUNCH

PHASE 1
(54 W)

PHASE 2
(8 W)

PHASE 2
(8 W)

TASKS BROKEN DOWN

● Soft-launch & Test Database and Web Application

- DURATION: 8 WEEKS
- ONGOING COST: \$0.00
- ONE-TIME COST: \$21,012.48

● Deploy Database & Web Application

- DURATION: 8 WEEKS
- ONGOING COST: \$0.00
- ONE-TIME COST: \$22,320.88

PHASE 2 TOTAL BUDGET NEEDS

(including all costs from Phase 1)

TOTAL.....\$630,762.28

ONGOING.....\$277,381.40 ONE-TIME.....\$353,380.88

Phase 2 Costs

Costs associated with Phase 2 activities will be comprised of working hours that GSD staff dedicate to testing the real property inventory database and ultimately launching the real property program.

GSD estimates that all associated costs in Phase 2 will be one-time, and should not need continued support provided that sufficient staffing and resources are met.

Phase 3 Costs

Phase 3 is comprised of working hours that GSD staff will dedicate to inventory auditing and property record identification.

The record identification process will be time-intensive, and will require extensive travel by at least one FTE. The figures below are based on the travel of one FTE for 50% of their work days over the course of three years.

PHASE 3

IDENTIFY MISSING PROPERTY RECORDS

PHASE 1
(54 W)

PHASE 2
(12 W)

PHASE 3
(8 W)

PHASE 3
(156 W)

TASKS BROKEN DOWN

● Real Property Inventory Audit

- DURATION: 8 WEEKS
- ONGOING COST: \$0.00
- ONE-TIME COST: \$0.00

● Identify Missing Property Records

- DURATION: 156 WEEKS
- ONGOING COST: \$0.00
- ONE-TIME COST: \$55,116.00

PHASE 3 TOTAL BUDGET NEEDS

(including all costs from Phase 1 and Phase 2)

TOTAL.....\$685,878.28

ONGOING.....\$277,381.40 ONE-TIME.....\$408,496.88

Addressing SB 236

Section 1. Legislative findings -- development of real property management strategy.

(1) The Legislature finds that:

(a) Montana does not currently have a complete and accurate inventory of all non-trust real property owned by the state, and without such an inventory it is impossible to know how many parcels and how many acres of non-trust real property the state owns;

GSD Response: Upon the completion of the program described in this study, the strategy GSD has outlined would support the ability to generate accurate metrics such as how many parcels or acres of non-trust land real property the state owns.

(b) the state needs a centralized real property transaction function to facilitate and oversee the processes for acquiring, disposing of, and transferring real property on behalf of agencies that do not have that management authority under existing state law;

GSD Response: The real property program outlined in this study has the capacity to oversee the processes for acquiring, disposing of, and transferring real property on behalf of agencies that do not have management authority under existing state law. However, per Title 2, Chapter 17, Part 1, the Department of Administration only oversees the allocation of space, and is required to submit properties that meet a certain criteria to the Long Range Building Plan for approval by the Legislature.

If the Department of Administration-General Services Division is authorized to oversee a centralized real property function, legislation will likely be necessary to achieve this result.

(2)

(a) To address the findings in subsection (1), the department of administration shall, before September 15, 2020, recommend to the state administration and veterans' affairs committee interim committee options that would enable the department to develop a centralized, statewide real property management strategy.

(b) The options must address how the strategy would include:

(i) a centralized real property transaction function to facilitate and oversee the processes for acquiring, disposing of, and transferring real property on behalf of agencies not authorized by statute to perform those functions; and

(ii) implementation of processes to ensure efficient use of real property and timely decisions to re-purpose or dispose of underutilized or surplus real property.

GSD Response: GSD has conducted a study that would develop a centralized statewide real property management program that is outlined in this report. Similar strategies have been employed in the United States, such as the Texas General Lands Office (Texas GLO) that has demonstrated the ability to provide accurate building usage reports that inform the Governor's Office of the benefit or cost a property has. The Texas GLO provides an annual report on any underutilized properties to the Governor.

(3) The department of administration shall address options to incorporate the duties assigned to the department of natural resources and conservation pursuant to Title 77, chapter 1, part 7, related to non-trust land into the statewide real property management strategy. (https://leg.mt.gov/bills/mca/title_0770/chapter_0010/part_0070/sections_index.html)

77-1-701. Definitions. When used in this part, unless a different meaning clearly appears from the context, the following definitions apply:

(1) "Ownership record" means the original deed, abstract, and any other instrument signifying state ownership or other interest in real property.

(2) "State agency" means any board, bureau, department, commission, or officer of the state.

(3) "State land" means land held, possessed, or administered by the state by virtue of fee simple title, grant, or deed. This term does not include:

(a) land acquired through investments under the provisions of 17-6-201;

(b) land used by virtue of an interest temporary in nature, such as a lease, license, or permit; or

(c) land used for easements and rights-of-way.

77-1-702. Transfer of records. The secretary of state shall transfer all ownership records on file in the secretary of state's office to the department. The department shall transfer the records of land held or administered by the department of transportation for highway rights-of-way and maintenance to the department of transportation and any remaining ownership records, other than those of state lands, to the state agency administering the interest or property described in the records.

77-1-703. Filing of ownership records. Except as provided in 77-1-706, state agencies shall file with the department ownership records of state lands held by the agency.

77-1-704. Department to maintain repository. The department shall provide a secure yet accessible repository for the ownership records of state land.

77-1-705. Index and verification of ownership records. (1) The department shall establish and maintain a filing system and index of the following information on state land:

- (a) legal description of the land;
- (b) when the land was acquired or disposed of;
- (c) name of the state agency administering or disposing of the land; and
- (d) name of the grantor or grantee.

(2) To the extent feasible within available funding and personnel, the department shall:

- (a) verify the accuracy of information contained in the ownership records; and
- (b) perfect title to state land whenever necessary.

77-1-706. Treatment of highway lands. The department of transportation is not required to file with the department records of land used for highway rights-of-way and maintenance but is required to file with the department ownership records of state land held for administrative purposes.

77-1-707. Rules. The department may adopt rules for implementing and administering this part concerning transfer and filing of ownership records.

GSD Response: In order for this program to function as a central real property office that oversees the processes for acquiring, disposing of, and transferring real property, legislation will likely be necessary to achieve this result if the Department of Administration-General Services Division is authorized to oversee a centralized real property function for agencies that do not have that management authority under existing state law.

This legislation will need to be coordinated with existing law that authorizes the DNRC to perform various tasks. An example of such a law is:

MCA 77-1-301. Under the direction of the board, the department [DNRC] has charge of the selecting, exchange, classification, appraisal, leasing, management, sale, or other disposition of the state lands. It shall perform such other duties the board directs, the purpose of the department demands, or the statutes require.