



MONTGOMERY COUNTY COUNCIL

OFFICE OF LEGISLATIVE OVERSIGHT
MONTGOMERY COUNTY, MARYLAND

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REPORT #78-5

AUGUST 21, 1978

TITLE

An Evaluation of the Management Program for Owned and Leased Office Space in County Government.

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I. SUMMARY AND MAJOR CONCLUSION/RECOMMENDATION

As of May 1978, the County government owned 426,879 gross square feet of office space in 17 facilities and leased an additional 270,047 net square feet of office space in 19 additional facilities. The Department of Facilities and Services is the principal department in County government responsible for space management. That Department (until July 1, 1978, it was officially the Office of Facilities Management and Services) has several sub-activities devoted to the many functions associated with space management--the principal two being the Space Planning and Engineering Section and the Property Management Section.

However, space management in County government is a decentralized operation. In addition to the Department of Facilities and Services, four other County departments are involved in space management functions, essentially negotiating leases.

The major conclusion and recommendation of this evaluation are:

--With the exceptions of managing renewal and redevelopment projects by the Office of Community Development (Department of Community and Economic Development) and recreation class space by the Department of Recreation, all space/property management functions within County government should be consolidated in the Department of Facilities and Services.

--Provide the Department of Facilities and Services the additional positions, training and other resources necessary to develop written policies and procedures and to consolidate the required space/property management functions of County government.

II. AUTHORITY AND SCOPE

1. Authority: Council Resolution No. 8-1418, subject, FY 78 Work Program of the Office of Legislative Oversight, adopted June 28, 1977, directed that this Office evaluate the management program for office space owned and leased by the County government.

2. Scope: To review current leased and owned facilities dedicated to office space; evaluate the criteria used in computing space requirements; examine policies and procedures for establishing needs and allocating resources; and make recommendations concerning a similar evaluation of the office space management programs in other public agencies in the County.

III. BACKGROUND, FACTS AND DISCUSSION

Background

1. County government requires a substantial investment in leased and owned space for the thousands of employees who conduct the many County programs and provide services. During worksessions on acquiring a building for the Police Headquarters in April 1977, Council requested the Office of Legislative Oversight to review the policies and procedures associated with leasing and purchasing office space. In addition, questions concerning space requirements and allocations arose during FY 79 budget worksessions as new programs were introduced and established programs were modified and expanded.

2. Space management as discussed in this report is defined as the systematic planning, acquiring and assignment of owned and leased space to obtain the most efficient and cost effective utilization of that space.

3. This review primarily evaluates space used for administrative offices. It does not include facilities where the space is principally a service area. Examples of such service areas are: maintenance shops and storage facilities (Note a); libraries, recreation and public safety facilities, health clinics, liquor stores and garages.

4. This evaluation has been completed based on an objective appraisal of the space management practices in County government. It is primarily a review of current space management practices and, where appropriate, highlights those areas where, in the opinion of this evaluator, improvements could be made. The report does not discuss the many positive things the County government is doing in the whole area of property and space management.

County Government Departments/Offices Involved in Space Management

5. As of June 1978, the County government owned approximately 1,622,751 gross square feet of space in 108 facilities, and leased an additional 391,036 square feet of space in 55 facilities. (Note b) In owned facilities, 426,879 gross square feet in 17 buildings is used as office space; and 270,047 net square feet is devoted to administrative office space in 19 leased facilities (Exhibits A and B).

Note a: A Maintenance and Storage Facilities Plan was published by a private consultant in August 1977.

Note b: These figures, provided by the Department of Facilities and Services, do not include the following 35 County government owned facilities: four trailer field offices, two garages (COB and Bethesda Police) and 29 buildings located on land acquired by the County government in various transactions such as acquisitions for rights-of-way and land fills.

6. The Department of Facilities and Services (Note c). The principal department responsible for space management is the Department of Facilities and Services. Several subordinate elements of the Department of Facilities and Services are involved in the management of space--the major functions of each element are discussed below.

7. Space Planning and Engineering Section.

a. Located within the Office of the Director, Facilities and Services, this section is responsible for many functions relating to space planning and engineering, to include data collection for space inventory, short and long range space planning requirements and assignments, office renovation design, plans and specifications, and space allocation arrangements for agency relocations and modifications.

b. Space planning and assignment criteria are based essentially on the Federal General Service Administration's (GSA) office space standards. GSA standards are primarily related to an employee's grade and whether the employee's assignment is supervisory or non-supervisory. However, final space allocation is determined by many factors, the essential one being the allocation of sufficient space for an employee to perform his or her duties.

c. Space management of County owned facilities is generally more efficient than for leased space, especially if the facility is constructed or purchased for a specific department/agency. An example of a facility purchased for a specific purpose is the recent acquisition of a building on Research Boulevard in Rockville for Police Headquarters and an element of the Health Department. Detailed space planning, close coordination between the space planners and occupants and the efficient use of moveable partitions resulted in an average space assignment of approximately 120 square feet per employee. In contrast, when leasing office space the County must consider a myriad of factors in addition to the specific function to be performed by the office, with the result usually being a compromise between the department's need, market availability and budget considerations. Some of the factors which must be considered in selecting lease space are: available space on the market, the current market rental rate and inflation factors, necessary leasehold improvements and required renovation. To satisfy so many variables, deviation from the space assignment standards may be the least costly variable in selecting leased office space.

Note c: In FY 78, the Office of Facilities Management and Services was reorganized into the Department of Facilities and Services. The reorganized functions discussed in this report refer to the new Departmental organization which will become official on July 1, 1978.

d. The Space Planning and Engineering section has a permanent staff of four plus three one-year CETA positions devoted exclusively to working on projects for the handicapped.

8. Property Management Section.

a. Within the Office of Facilities Management, Department of Facilities and Services, is the Property Management section. The Property Management section represents the County as both a tenant (lessee) and landlord (lessor). The responsibilities of this section as stated on page 71C of the FY 79 Montgomery County Government Recommended Budget, are: "(1) Supervision of County rental facilities, which includes preparation and implementation of County contracts for leased facilities with outside vendors [i.e. lessee]...and (3) management of surplus schools and assisting in developing alternatives for their use [i.e. lessor]..." Each of these responsibilities is discussed in subsequent subparagraphs.

b. Lease Management (Lessee): Currently, the Property Management section manages 18 leased office facilities containing approximately 264,600 net square feet of office space. Other leased facilities managed by the Property Management section include warehouses, health clinics, group homes and libraries. Leasing involves a number of specific actions, all of which are essential in obtaining the best lease package. These actions include: preparation of bid specifications, advertising the bid, evaluating responses, inspecting space offered and preparing and negotiating lease documents. In addition to leases with the private sector, the County has leases with other public agencies. An example of the latter are the lease agreements for facilities belonging to M-NCPPC which the County provides to non-profit contractors who operate them as group homes.

c. Lease management of surplus schools and other property (Lessor): Management of surplus school space is a new responsibility for the Property Management section. Currently, the section manages four leases with private agencies using surplus schools with annual rents totaling \$34,700. Three more leases with private agencies using schools which became surplus in 1977 with rents approximately \$82,000 are currently being negotiated. In addition, personnel from this section are represented on a committee with personnel from the Office of Planning and Capital Programming (DCED) to evaluate uses for future surplus schools. The Property Management section also serves as a lessor for property used by other County agencies, an example being the Housing Opportunities Commission (HOC). This section also manages leases with private citizens for homes acquired during site and right-of-way acquisitions. Finally, the Property Management section monitors an arrangement in which a private realty firm manages a building at 215 Monroe Street, Rockville. Although the management service fee charged

to the County by the realtor is small (under \$10.00 a month), the Property Management section is capable of directly managing that property.

d. The Property Management section has a staff of five employees.

9. Office of Architectural Services. Prior to FY 79 this office was a part of DCED. Two functions of this office have been and will continue to relate directly to space management. One function is the development, design and implementation of capital improvement projects and the other is related to designing major modifications to existing facilities.

a. Development, design and implementation of capital improvement projects is the major effort of the Office of Architectural Services. An example relating to office space would be the new County Office Building and Courthouse. A staff member of the Office of Architectural Services is assigned full time to this new government complex, and, in coordination with the Space Planning and Engineering Section, will allocate office space to departments/agencies occupying the new Government Center. The GSA standards are being used as the planning criteria for space assignments; however, actual space allocation and internal partitioning and configuration will be delayed until the last year of construction when organizational assignments to the Government Center are firm.

b. The Office of Architectural Services' role in the design of major remodeling modifications applies mainly to those projects where architectural and engineering expertise is required--usually involving structural modifications. An example of the Office's efforts in this area are the major modifications to adapt Park Street School to offices for County government.

10. In addition to the specific space management functions discussed in the preceding paragraphs, the Department of Facilities and Services is responsible for managing other critical functions related to space/property management for County owned and leased facilities. These functions include: maintenance of buildings, grounds and all mechanical apparatus associated with the building (heating/air conditioning, electrical, elevators); masonry; plumbing; refuse collection; pest control; window cleaning; office furniture and communication moves; and custodial services.

11. In addition to the Department of Facilities and Services, four other County government departments are involved in negotiating leases and managing space. Three of the departments, Liquor Control, Recreation and Transportation are lessees, and an activity in the fourth department, Community and Economic Development, is a lessor.

a. Department of Liquor Control (DLC). By Maryland State Law, (§ 163 K(1)), the Director, DLC is authorized to lease real

property "...with the approval of the County Executive,...to operate dispensaries, stores or warehouses...." As of May 1978, DLC has 22 active leases for dispensaries.

b. Department of Recreation. (1) The Recreation Department primarily leases recreational class space from other agencies and has working use agreements for facilities belonging to the MCPS. In some instances, the Recreation Department leases space from private agencies. In all cases, the Recreation Department's leases are directly associated with recreational activities and are not for administrative office operations. (2) Recreation Department leases are for class space for a variety of recreation activities (dance, music, gem and lapidary, athletics, etc.) in recreation centers, churches and community buildings. The leases are for a specific number of weeks during each calendar year and for short time periods, usually not more than three hours per day. The costs for these leases are defrayed by registration fees from the class participants.

c. Department of Transportation. Within DOT, the Parking Lot Districts has leased space in Silver Spring for its administrative offices. After a five year term on the original lease, a new lease was recently negotiated. At the time the original lease was established (1973) the Parking Lot Districts assumed responsibility for the negotiations; consequently, the management negotiated this recent renewal.

d. Department of Community and Economic Development. The Office of Community Development in the Department of Community and Economic Development manages property acquired in renewal and redevelopment programs. Currently, Community Development is managing three projects: Lyttonsville, Emory Grove and Ken-Gar, none of which is classified as office space. Property management includes the entire spectrum of lessor responsibilities: writing leases, collecting rents and budgeting for maintenance and other services.

12. County Attorney. The County Attorney's office reviews all leases, regardless of whether the County is the landlord or the tenant, and all contracts for purchase or construction of owned facilities. In the latter category, the County Attorney is responsible for processing all deeds, including the filing of the original deed with the land records in the Courthouse, and a copy in the Department of Finance.

13. Purchasing Office. By law and County government Administrative Procedure No. 3-4 all contracts, to include leases for real property, must be processed through the Purchasing Division of the Department of Finance. Although a copy of each contract (lease) is to be on file in the Purchasing Office, a sampling of the lease file revealed that some current leases were not on file.

14. Office of Budget and Research. In analyzing and processing budget requests (to include grants) which involve new programs or program/personnel expansion, the Office of Budget and Research requires that any increased space needs be budgeted. Approved funds for space are usually placed in the budget of the Department of Facilities and Services, which actually acquires the space. A recent example of

the above procedure would be the initial identification of approximately \$20,000 to rent office space associated with the establishment of the rent relief program in the Department of Finance. That cost has been avoided, however, by a subsequent decision to place the rent relief operation in a County owned facility.

Evaluation of Space Management Programs
and Practices in County Government

15. General. During the conduct of this evaluation, it was apparent that the new management and organization of the Department of Facilities and Services is placing renewed emphasis on improving space management functions.

16. Space Planning and Engineering Section. The placement of this section in the Director's office reflects the emphasis being placed on space planning and assignments. At the time of this writing, this section is conducting a detailed inventory of all owned and leased office space occupied by County government departments and offices and those agencies which depend upon County government for space needs: States Attorney, Courts, Sheriff, etc. Completion of this inventory will enable the Space Management and Engineering section to evaluate current office space allocations against space assignment criteria--with a potential for realignments and economies.

17. Property Management Section.

a. This section appears to be understaffed for the responsibility it now has--and even more understaffed if it were accomplishing space/property management functions now performed by other departments within County government.

b. In addition to being understaffed, the section is attempting to operate under oral policies and sketchy procedures. From the director of the Department of Facilities and Services on down through the management chain there is an appreciation for what should be done in the area of space/property management and how to do the job; however, the press of the day-to-day work load, the current decentralized status of property management within County government and the absence of written procedures complicate and frustrate setting up a more efficient program. Current space/property management policies and procedures are primarily oral or are extracts of GSA publications. In the opinion of this evaluator, the following minimal actions related to the space/property management should be considered:

1. With two exceptions, space/property management activities should be consolidated within the Department of Facilities and Services. This would include space planning and lease management now being accomplished independently by the Departments of Liquor Control and Transportation (Parking). The Parking Lot Districts' recent re-negotiation of their lease for office space in Silver Spring is commendable; however, independent leaseings conflict

with the specific responsibilities of the Property Management section. Admittedly, space requirements for the Departments of Liquor Control are unique; however, that uniqueness is limited to the single condition of how the space will be used. The other numerous responsibilities associated with lease management (preparation of bid specifications, advertising the bid, space planning and engineering, monitoring lease hold improvements and lease hold management functions) are all within the capability and mission of the Department of Facilities and Services and could be efficiently accomplished by that department in close coordination with the department which will use the space. In addition, the Department of Facilities and Services still retains the major responsibility for physical moves, maintenance and, in many cases, custodial service and trash collection for properties leased by other departments.

2. Two exceptions to the above centralization would be property management as currently performed by the Office of Community Development and the Department of Recreation.

a) The Office of Community Development performs a specialized mission in renewal and redevelopment programs involving local and Federal (Community Development Block Grant) funding and has developed detailed written procedures.

b) The Department of Recreation leases class space for unique recreation related activities at irregular periods for short periods of time during the day, with lease costs paid by class participants as part of the fee. The Department of Recreation is staffed with recreation specialists who are best qualified to perform these leasing tasks.

3. Provide the Department of Facilities and Services additional resources in the form of additional positions and training to enable that department to develop written policies and procedures and perform all aspects of space/property management for County government departments with the exceptions of renewal and redevelopment programs under the Office of Community Development and recreational class space under the Recreation Department. Currently, the Property Management section lacks the staff to perform a consolidated operation and prepare the necessary written policies and procedures. Once policies and procedures on space and property management are published, all County government departments/offices will know the criteria and standards used to develop space needs and the Department of Facilities and Services will have documented procedures to efficiently determine the most cost effective means of satisfying those needs.

4. The Property Management section should assume responsibility for managing 215 Monroe Street, thereby terminating the use of the private realty management firm.

5. Require that all leases be processed through and filed in the Purchasing Office in accordance with Administrative Procedures No. 3-4.

Other Matters

18. Land Management Unit. In the conduct of this evaluation on space management, the functions of the newly established Land Management Unit in DCED-OPCP were reviewed. The mission of that office is to develop and implement procedures for the maintenance of surplus land inventory, to dispose of surplus land, and to study and develop uses for surplus schools. In two specific areas, the Land Management Unit and the Property Management Section of the Department of Facilities and Services work closely and coordinate activities. The first relates to surplus schools. As the Land Management Unit develops uses for surplus schools it is the responsibility of the Property Management section to perform the many property management functions required when leasing space to private or public agencies. The second area concerns the disposal of surplus land by the Land Management Unit in which the land itself or buildings on the land are leased to private citizens. The Property Management section must coordinate the termination of leases prior to public sale of the property.

19. Vehicle Parking Spaces.

a. A considerable expense is involved in providing vehicle parking spaces at the numerous County owned and leased facilities for employees' cars, visitors' automobiles, and County owned vehicles. Every lease for rented office space provides for some parking spaces; however, it is not always adequate. An example of adequate parking facilities is at 6110 Executive Boulevard where the Departments of Transportation, Environmental Protection, Fire and Rescue and other agencies have offices. The lease for that facility permits the County to control 323 of 734 available parking spaces with the remaining 411 spaces also available on an unreserved, "first come" basis. As part of the County's lease for office space in "The Commons" (Rockville Mall), 102 parking spaces are provided free.

b. At other facilities where the County government leases office space, charges are levied for additional parking spaces. The County government currently rents 162 spaces at 50 and 51 Monroe Streets, Rockville, for \$15 a month each and an additional 13 spaces at \$35 a month each in Silver Spring.

c. Construction of vehicle parking spaces is likewise an expensive operation. To construct an above ground facility similar to that at the COB costs between \$4,000 - \$4,500 per space; while an underground facility like that planned for the new Government Center costs approximately \$8,000 per space to construct. By all indications the whole area of employee/citizen parking at County government facilities will continue to be a costly problem.

20. Other Public Agencies--An Overview.

a. Montgomery College. Montgomery College presently leases space for administrative offices at two locations: a one-room instructional facility in Silver Spring and a combined administrative office/classroom complex in Bethesda for the Community Services Program. At present, Montgomery College does not lease space to private or other public activities; however, this will probably change when the Germantown Campus is opened. As an example, the Recreation Department is negotiating with the College for office space.

b. Montgomery County Public Schools (MCPS). All administrative offices are in MCPS owned facilities. MCPS does lease property to the private sector for agricultural purposes and space in some schools as part of the new, and expanding, program of joint occupancy.

c. Maryland-National Capital Park and Planning Commission (M-NCPPC) Office space management in M-NCPPC is the responsibility of the Administrative and Technical Services Office within the Department of Administration. By fall 1978, all but one M-NCPPC administrative office will be in owned facilities. The one exception is the bi-County offices of the Executive Director, General Counsel and Finance Departments which are in leased space on Fenwick Lane in Silver Spring. The Department of Parks leases approximately 100 dwellings and 25 agricultural tracts on park property to employees and private citizens. The dwellings and agricultural tracts were acquired with parklands.

d. Washington Suburban Sanitary Commission (WSSC). Currently, WSSC has approximately two-thirds of its administrative staff in owned facilities, with the remaining one-third in leased office space in Hyattsville at a cost in excess of \$300,000 a year. The Commission's current plans are to expand the existing main office building with the goal of bringing WSSC headquarters personnel into owned office space.

IV. CONCLUSIONS.

1. Conclusion #1:

Property/space management within County government currently is being performed in at least five departments: Facilities and Services, Liquor Control, Recreation, Transportation (Parking Lot Districts) and Community and Economic Development.

2. Conclusion #2:

With the two exceptions of managing renewal and redevelopment projects by the Office of Community Development (Department of Community and Economic Development), and recreational class space by the Department of Recreation, all space/property management functions within County government should be consolidated in the Department of Facilities and Services.

3. Conclusion #3:

Consolidation of space/property management functions for County government within the Department of Facilities and Services should include transfer of necessary resources to carry-out those functions.

4. Conclusion #4:

The new management and organization of the Department of Facilities and Services is placing renewed emphasis on refining and improving space management functions; however, additional positions, training and other resources are necessary to enable the Department of Facilities and Services to develop written policies and procedures and consolidate the required space/property management functions of County government.

5. Conclusion #5:

There appears to be no requirement to conduct a similar evaluation of office space management in the other public agencies in the County or the Bi-County Agencies.

V. RECOMMENDATIONS.

1. Recommendation #1:

With the two exceptions of managing renewal and redevelopment projects by the Office of Community Development (Department of Community and Economic Development), and recreational class space by the Department of Recreation, consolidate all space/property management functions of County government in the Department of Facilities and Services.

2. Recommendation #2:

The Department of Facilities and Services should be provided positions, training and other resources necessary to develop written policies and procedures or to consolidate the required space/property management functions of County government.

3. Recommendation #3:

Recommend that there not be a similar evaluation of office space management in the other public agencies in the County or the Bi-County Agencies.

VI. AGENCY/DEPARTMENT COMMENTS AND OLO RESPONSE:

1. A draft copy of this report was sent to each agency and department mentioned in the report. This final report reflects all changes and comments by those agencies/departments which submitted a response.

COUNTY OWNED OFFICE SPACE[@]

As of May 1978

<u>FM-CODE</u>	<u>BUILDING SITE/ADDRESS</u>	<u>GROSS SQ. FT.</u>
FM1001	County Office Building (excl. E.O.C.)	130,000
FM1002	Courthouse (Circuit Court)	84,000
FM1003	Red Brick Courthouse	16,000
FM1005	Monroe Annex - 30 E. Jefferson St.	4,500
FM1006	Wheaton Community Service Center	29,400
FM1007	2350 Research Blvd.-(Police/Health Hq.)	40,000
FM8302	New Liquor Warehouse - Liquor Dept. Office	18,959
FM8302	New Liquor Warehouse - Other Agency Offices	7,200
FM9102	101 Fleet Street	1,800
FM9103	103 Fleet Street	1,500
FM9105	107 Fleet Street	2,500
FM9106	209 Monroe Street	1,800
FM9108	213 Monroe Street	1,300
FM9118	Park Street School (OHR/OAS/PERS. BRD/Personnel/Exc. Day Care 4900)	40,600
FM----	Holiday Park School Total 47069 S.F. (OHR-Elderly Affairs Office)	8,720
FM9302	Bushey Drive School (Recreation Dept.)	32,300
FM----	6400 Democracy Blvd (HRC/Health/DCR)	6,300

@Source: Department of Facilities and Services

Total 426,879

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EXHIBIT A

COUNTY LEASED OFFICE SPACE[@]

As of May 1978

<u>FM-CODE</u>	<u>Buidling Site/Address</u>	<u>Net leased/Sq. Ft.</u>
FM1501	Common's Mall County Offices - (DFS/Insurance/Cr.Un./Sup. Elec.)	20,440
FM1502	611 Rockville Pike, Rockville (HSP/Revenue/OCA)	13,123
FM1503	6110 Executive Blvd, Rockville (DOT/DEP/DFR)	64,410
FM1504	5630 Fisher's Lane, Rockville (DSS)	48,165
FM1505	8728 Colesville Rd. (Silver Spring Center)	33,176
FM1506	600 S. Fredrick Ave., Gaithersburg (Coop-Ext./DEP)	11,013
FM1507	12750 Shady Grove Rd. (District Court Offices)	1,985
FM1508	8513 Piney Branch Rd. - (Tess Ctr.)	3,600
FM1509	1018 Quebec Terrace, Takoma Pk. (Tess Ctr.)	1,200
FM1513	50 Monroe Street, Rockville (Health Ctr/State's Atty/ OHR/Council Office/CW)	26,008
FM1514	8113-15 Fenton St., Silver Spring (Employment Ctr.-OHR)	12,944
FM1514	51 Monroe St. Rockville (DCED/Revenue/Reg. Wills/Domestic Rel Master)	
FM1516	150 South St. Annapolis (State-County Affair)	918
FM----	30 Courthouse Square, Rockville (Empl. Rel./C.O.P.E./Rent Rel. Prog.)	2,500*
FM----	12/501 Twinbrook Pkwy (Health)	14,900
FM3510	12750 Twinbrook Pkwy (Health)	2,026
FM3511	11141 Georgia Avenue (Health/LEAA)	1,500
FM3512	5635 Fishers Lane, Rockville (Health/DSS)	5,235
FM5600	818 Roeder, Silver Spring (Parking Lot-DOT)	5,404
FM	Germantown Campus - Mont College (Rec Area IV)	1,500**
	Total	270,047

* Excluding other area's being negotiated (Credit Union & Rent Relief Program
 ** May increase - Being negotiated with Mont. College.

@Source: Department of Facilities and Services

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EXHIBIT B

