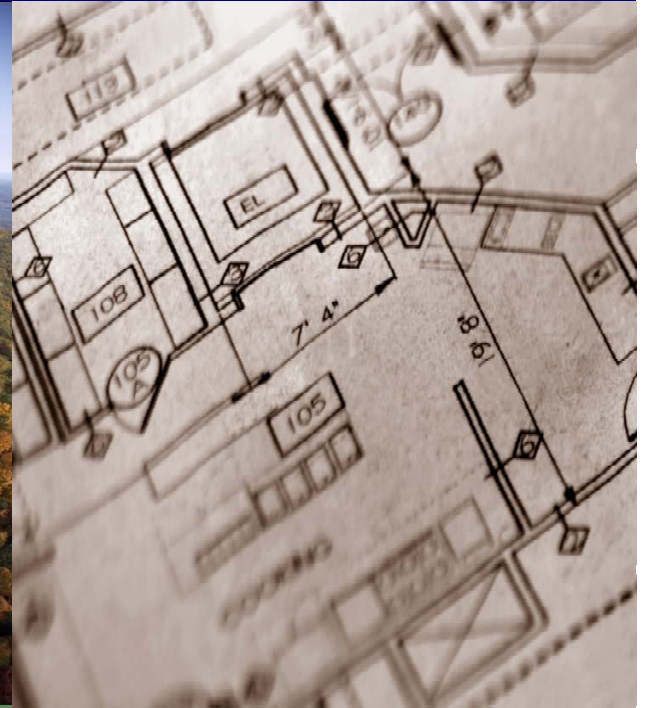
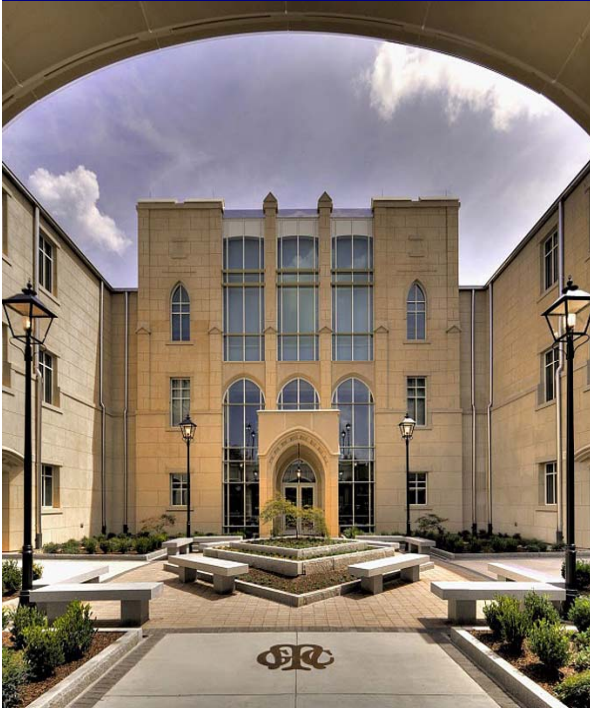




# State Properties Commission

*Real Properties...Real Solutions*



LEASING ● SPACE PLANNING/DESIGN ● ASSET MANAGEMENT ● LAND ACQUISITIONS & DISPOSITIONS

## Mission:

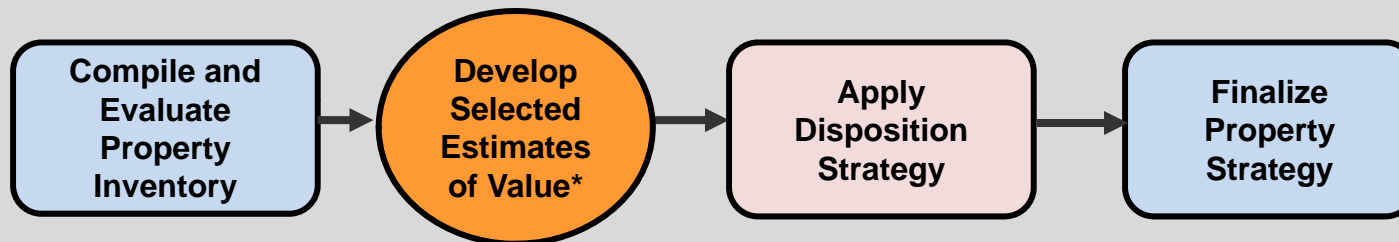
*To advise, guide and maximize Georgia's real estate portfolio by applying industry best practices in asset, space and transaction management*

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## Project Objectives

The State Properties Commission (SPC) engaged UGL Services (UGL) to identify methods for the State to generate revenue from underutilized State-owned real property.

## Project Scope



Task 1: Evaluated BLLIP data; developed an initial list of over 15,600 buildings.

Task 2: Developed Estimate of Value (EoV) for properties identified by SPC\*.

Task 3: Initiated due diligence steps and facilitated agency consultation. The objective was to determine outstanding factors such as bond debt, new occupancy plans, etc. that could affect the sale process.

Task 4: Evaluated potential market demand for properties and specified disposal options.

***\*An EoV is a desktop review of market conditions and demand but is not an appraisal or Broker Opinion of Value. The EoV are to be used for planning purposes only.***

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## Methodology

### **Exclusion of Agencies**

- Started with 15,631 buildings and 1,127 land parcels.
- Certain entities and their real property are not under the statutory authority of SPC and these entities were not part of the analysis (except for previously identified properties).

### **Property Identification**

- Low occupancy or unoccupied buildings.
- Higher insured value buildings to yield more dollars.
- Larger contiguous tracts of land that present more appeal for development.

### **Refined List with Additional Filters and Analysis**

- Identified standard-use buildings (such as office buildings or storage warehouses) for new users or investors.
- Searched for underutilized campuses or multiple groups of buildings.

**This analysis led to a final list of 131 properties identified for disposition.**

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## Property Dispositions by Group

Due to current market conditions, the greatest disposition opportunity exists where current properties are within or adjacent to primary real estate submarkets in major metropolitan areas of Georgia

Property Group	Property Location	Real Estate Submarket	Exceptions	Market Demand/ Activity	Number of Properties	Properties with EoVs
A	Atlanta or Savannah	Primary submarket	None	High	11	7
B	Atlanta, Savannah, Athens, Augusta, Columbus, Macon, Valdosta	Secondary in Atlanta/Savannah; Primary in remaining cities	Properties not within the markets but EoV >\$1m	Depends on asset	32	16
C	Smaller cities and rural areas	Tertiary submarket	None	Low	88	27
Totals					131	50

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## Property Disposition Estimates

Property Group	Number of Properties	Properties with EoVs	Sale in 1-2 Years	Sale in 3-5 Years	Estimated Unsold
A	11	7	5 Properties \$15 mm	1 Property \$3 mm	1
B	32	16	8 Properties \$13 mm	6 Properties \$10 mm	2
C	88	27	2 Properties \$360,000	11 Properties \$2 mm	14
Totals	131	50	15 Properties \$28 mm	18 Properties \$15 mm	17

- Timeline that assumes more appealing properties can be sold in 1-2 years while the remaining may require 3-5 years depending on market conditions.
- Potential revenue is represented only for properties where EoVs were completed.
- “Estimated Unsold” properties: assumes that a few properties will not be sold.

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## Current Disposition Process Challenges

UGL reviewed Georgia's real property disposition process and found that it is dissimilar to leading industry practices. The State should consider revisions to increase the potential buyer pool and to expedite the sale process for those properties slated for disposal.

Issue	Solution
Extensive approval process from multiple layers of State government.	Develop a fast track sale program for properties meeting certain criteria such as low dollar value.
	Streamline the approval process for non-fast track properties.
Properties receive limited marketing exposure.	Contract with third-party transaction managers whose responsibility is to champion the sale of a property and identify any and all potential buyers.
Sealed Bid Process.	Allow for the State to negotiate and call for best and final offers, a standard practice in the private sector.

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## State Action Items

Action Plan	Timing	Goal
Identify Surplus Properties. - SPC Analysis. - Agency Review Process.	6/11 – 1/12 Ongoing	Develop disposition list for surplus properties.
Perform due diligence on properties.	7/11 – 2/12	Ascertain salability of identified properties Identify properties with the highest likelihood for closing.
Seek legislative approval for disposition of selected surplus properties.	4/12	State Legislature grants approval for disposition of selected surplus properties.
Seek disposition approval from SPC.	6/12	SPC approves disposition strategy.
Proceed with State disposition process.	Fall 2012 – Ongoing	Market properties for sale.
Complete Sale of Real Properties.	2013 - Ongoing	Generate revenues for the State. 1) Sell majority of Group A properties. 2) Sell key properties of Group B. 3) Sell a portion of Group C properties.

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## Summary

- Overall comments
  - Highly marketable properties are generally utilized and serving the public
  - 67% of the underutilized properties are in 3<sup>rd</sup> tier markets – low market demand
  
- Interview process with custodial agencies
  - This has been a critical step to determine how real estate will support the agency mission
  - Interview process is complete (DJJ, Agriculture, Corrections, Labor and others)
  - Some agencies requested additional time to develop strategic plans with new administration and have follow up meetings pending

## Your Support

- Recommended O.C.G.A. revision to SPC statute for efficient disposition and marketing process
  - 21 other States responded to a survey for their process
  - Focus on 7 other AAA bonded States
  
- If property is not supporting the agency's 5 year plan SPC will surplus (tie to budget process)
- SPC needs accurate and complete information in BLLIP (facility and occupancy) let this be an ongoing process and not once per year – time management
- Recommended O.C.G.A. revision to SPC statute to allow multi year leasing

**Questions?**