

Surplus Real Property In Kentucky

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Abstract

The Finance and Administration Cabinet maintains oversight of state-owned real property assets using the asset management application Archibus. State agencies are responsible for managing their properties day-to-day and determining surplus status. The state does not use a centralized process to identify or manage surplus property. As of June 26, 2017, there were 7,929 state real property assets. Nearly 60 percent of state properties are classified as storage, residence (mostly for university students), education, recreation, office, or park lodging facilities. The cabinet is authorized under KRS 45A.045(4) to sell, trade, or otherwise dispose of surplus real property. From 2012 to May 2017 surplus real property consistently sold for below appraised value. Since June 2017 surplus real property has, on balance, sold for over appraised value. The Model Procurement Code seems to indicate that real property should not be sold for less than the appraised value. The report has three recommendations related to the information the cabinet compiles about state properties.

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Summary

The Finance and Administration Cabinet's Division of Real Properties (DRP) manages the state's inventory of real properties. State-owned real property is tracked by the integrated workplace management system Archibus.

As of June 26, 2017, DRP reported 7,929 real property assets across the state. Archibus categorizes the properties by descriptive building codes. Nearly 60 percent of properties are classified as storage, residence (mostly for university students), education, recreation, office, or park lodging facilities. Thirty-three properties, most belonging to the Department of Parks, were designated as vacant in Archibus.

Program Review staff determined that 601 properties did not receive building use code descriptions in Archibus. DRP does not require that agencies enter a building use code when reporting real property assets. Building use codes are important, though, in giving a complete description of assets. A comprehensive database of real property asset utilization would enable agencies to be more effective in making decisions about their property needs.

Recommendation 1

The Finance and Administration Cabinet should ensure that agencies provide building use code descriptions in all real property reporting forms.

Among 34 properties sold since 1998, Program Review staff found nine property transactions with problematic information in Archibus, including properties that had no sale value, had missing information, or seemed to qualify for transfer instead of sale.

Recommendation 2

The Finance and Administration Cabinet should ensure that all property disposition files are complete and that Archibus is up-to-date and reflects paper files associated with a disposition.

State real property assets are managed by DRP and the Finance and Administration Cabinet's Office of the Controller, which is responsible for tracking the accounting aspects of real property assets. DRP tracks the specific details of real property assets, manages leasing, and organizes the sale of real property.

The Finance and Administration Cabinet is empowered with its secretary's approval to allow transfers, exchanges, and disposals of real property. An agency can dispose of a property by submitting a written request to the cabinet. The property is sold either by invitation of sealed bids or by public auction. The selling price must not be less than the property's appraised value as determined by the Finance and Administration Cabinet, or by the Transportation Cabinet for the requirements of that cabinet.

The state does not use a centralized process to identify surplus real property. The Finance and Administration Cabinet does not determine which properties—other than its own—are considered surplus, underutilized, or suited to better use. Each agency reports real property assets that it considers surplus to DRP as needed. According to regulation, DRP is to make periodic inspections to determine the accuracy of reports. In practice, the division does not perform such inspections, because of lack of staff and funds.

DRP handles the disposal of surplus property. Once DRP and the Finance and Administration Cabinet approve the disposal, the property can be sold via sealed bid or auction. If other agencies have expressed interest in acquiring surplus real property, DRP provides notification of availability to said agencies before establishing a sale publicly.

DRP can negotiate a property sale at appraised fair market value with a state or local government if the property will be used for another public purpose. If state and local governments do not wish to acquire the property, DRP disposes of surplus property via a competitive sale to the public.

The Finance and Administration Cabinet's Division of State Risk and Insurance Services appraises all state-owned real property for insurance verification. DRP is considering working with the division to obtain a more comprehensive and up-to-date description of assets.

Recommendation 3

The Division of Real Properties should consider designing and implementing a survey that helps agencies identify underused or unnecessary space. The division should then consider advising agencies on space planning and identifying potential surplus properties.

Over the 1998 to May 2017 period, the total value of sales (\$11.5 million) was \$2.1 million less than total appraised values (\$13.6 million). Surplus property in the state has been sold for less than appraised values with greater frequency in recent years. Since 2009, of the 14 properties that were sold for less than \$500,000, the sale prices of 11 were below appraised value. Five of the 11 properties were sold for less than 50 percent of appraised value. Language in the Model Procurement Code seems to indicate that a property should not be sold for less than its appraised value.

From February 2012 to May 2017, DRP reported that 13 properties were sold for a combined total of \$10.7 million. The 13 sales occurred in 10 counties, and most were sales of state office buildings. As of January 2, 2018, DRP listed three properties for sale. The first involved a license to harvest and sell timber at the Yellowbank Wildlife Management Area in Breckinridge County. The second property involved a design, develop, construct, and leaseback proposal for an aircraft hangar in Bluegrass Station, Fayette County. The third property, the Capital Plaza Tower Complex in Frankfort, also involved a leaseback arrangement.

A 2015 South Carolina report recommended centralizing management; adopting space standards; and upgrading tools, processes, and technologies to reduce that state's real estate holdings. A US Government Services Administration report found in 2010-2011 that government and private sector office workspace requirements are dropping.

The Georgia State Properties Commission manages state-owned real property assets through four coordinated divisions. Georgia actively prioritizes real property assets and applies space utilization programs to maximize floor plans. The State of Tennessee Real Estate Management Division uses “Alternative Workplace Solutions” to help identify assets that are no longer necessary and resources that can be consolidated. Job classifications are used to identify employees who may not require a traditional office workspace.

As of November 16, 2017, Kentucky had a total of 1,481 active leases, of which the state was the lessee of 1,030 and the lessor of 451. For active leases, the state pays a total annual rent of approximately \$50 million and receives approximately \$14 million.

The Finance and Administration Cabinet uses a practice known as “built-to-suit” or “design, bid, build, finance.” Built-to-suit leases involve the state transferring ownership of land to another entity that builds a capital project on the land, rents the constructed facility to the state, and then turns the land and the facility over to the state after the lease has amortized.

Property leasing strategies vary among states. Washington uses a built-to-suit lease development strategy that is nearly identical to Kentucky’s. Missouri has actively reduced its dependence on leased property and tracks building conditions and vacancies, which allows for better maintenance of properties. The measures have resulted in estimated savings of \$6.3 million over a 6-year period. North Carolina projected \$2.6 million in cost savings through optimizing the utilization of state-owned space versus leasing the needed space. Georgia renegotiated existing leases, saving \$10 million over the next 20 years, by using a real property performance and inventory scheme.

Surplus Real Property In Kentucky

Major Conclusions

This report has four major conclusions.

- As of June 26, 2017, the state had 7,929 real property assets, of which 601 either had no building use code designation or were designated unknown in the asset management system Archibus. Building use code designations are not required of agencies when reporting real property assets.
- Since 2009, surplus properties have increasingly sold for less than their appraised values, consistently so in the past 5 years. The state's Model Procurement Code seems to indicate that real property should not be sold for less than its appraised value.
- Kentucky does not use a centralized process to identify or manage surplus real property. Agencies report surplus real property to the Finance and Administration Cabinet's Division of Real Properties as needed.
- As of November 16, 2017, the state had 1,481 active leases, of which the state was lessee for 1,030 and lessor for 451.

Inventory Of State-Owned Real Property

The Division of Real Properties (DRP) in the Finance and Administration Cabinet manages the inventory of state-owned properties.

Statute defines *real property* and *real estate* as land and any improvements (KRS 132.010(3), 56.440(2)). The inventory of state-owned real property in Kentucky is managed by the Finance and Administration Cabinet's Division of Real Properties (DRP), which is in the Department for Facilities and Support Services. Among the division's management duties is maintaining a comprehensive real property and facilities database that includes all state land and facilities owned or leased by executive branch agencies (KRS 42.425(2)(d)).

Real property is managed by an asset management application called Archibus.

DRP tracks state-owned real property using an industry-standard asset management application called Archibus. The division does not inspect properties; it relies on agencies to monitor their own properties and report any inventory changes to DRP (200 KAR 6:015, sec. 4). Some agencies, such as the Transportation Cabinet, have approval from DRP to access Archibus and make changes to real property inventories. Real property information from universities is sent to the division to be managed in Archibus. Statute does not require that state college and university boards obtain prior approval from the cabinet before selling property or that they provide an inventory of properties to

the cabinet. However, a requirement that postsecondary institutions supply the cabinet with a real property inventory may be implied in statute. Under KRS 42.425(2)(d), the cabinet is required to [i]mplement and maintain a comprehensive real property and facilities management database to include all state facilities and land owned or leased by the executive branch agencies, including any postsecondary institution. All state agencies and postsecondary institutions shall work cooperatively with the Department for Facilities and Support Services to implement and maintain the database.

The cabinet's Division of State Risk and Insurance Services appraises all state-owned real property for insurance verification.

The Finance and Administration Cabinet's Division of State Risk and Insurance Services appraises all state-owned real property for insurance verification. DRP often uses State Risk and Insurance information to double-check its own records. DRP staff stated that State Risk and Insurance conducted inspections on behalf of DRP at one time, but that the agreement has been canceled.¹ State Risk and Insurance still conducts regular appraisals for fire and tornado insurance purposes.

Real property is categorized in Archibus according to 40 building use codes. Property descriptions can also appear in the comments section if a building use code is omitted.

As of June 26, 2017, Archibus indicated that there were 7,929 property assets across the state. Nearly 60 percent of properties are classified as storage, residence (mostly for university students), education, recreation, office, or park lodging facilities.

As of June 26, 2017, DRP reported 7,929 real property assets across the state. Of these, 7,328 had descriptive building use codes, but 601 (7.6 percent) did not contain a building use code. Table 1 shows the number of assets per building description code. Facilities designated as "storage" make up more than 20 percent of the state's real property holdings. Examples are salt domes, equipment sheds, and general maintenance buildings. Nearly 60 percent of properties are classified as storage, residence (mostly for university students), education, recreation, office, or park lodging facilities.

Table 1
State Properties By Type

| Building Description | Properties | % Of Total | Cumulative % | Building Description | Properties | % Of Total | Cumulative % |
|-----------------------------|-------------------|-------------------|---------------------|-----------------------------|-------------------|-------------------|---------------------|
| Storage | 1,676 | 21.1% | 21.1% | Food service | 50 | 0.6% | 89.9% |
| Residence | 837 | 10.6 | 31.7 | Parking | 47 | 0.6 | 90.5 |
| Education | 808 | 10.2 | 41.9 | Sales | 36 | 0.5 | 91.0 |
| Recreation | 631 | 8.0 | 49.8 | Vacant | 33 | 0.4 | 91.4 |
| Office | 416 | 5.2 | 55.1 | Parks | 18 | 0.2 | 91.6 |
| Park lodging | 384 | 4.8 | 59.9 | Vehicle maintenance | 15 | 0.2 | 91.8 |
| Defense | 299 | 3.8 | 63.7 | Judicial | 11 | 0.1 | 92.0 |
| Farming | 271 | 3.4 | 67.1 | Historic | 8 | 0.1 | 92.1 |
| Other | 248 | 3.1 | 70.2 | Hangar | 6 | 0.1 | 92.1 |
| Mechanical | 238 | 3.0 | 73.3 | Classroom | 5 | 0.1 | 92.2 |
| Lease | 216 | 2.7 | 76.0 | Conservation easement | 4 | 0.1 | 92.3 |
| General maintenance | 212 | 2.7 | 78.6 | Boat ramp | 3 | 0.0 | 92.3 |
| Corrections | 180 | 2.3 | 80.9 | Not state used | 3 | 0.0 | 92.3 |
| Right-of-way maintenance | 168 | 2.1 | 83.0 | Travel | 3 | 0.0 | 92.4 |
| Research | 160 | 2.0 | 85.1 | Boat slip | 2 | 0.0 | 92.4 |
| Exhibition | 141 | 1.8 | 86.8 | Right-of-way | 1 | 0.0 | 92.4 |
| Public safety | 77 | 1.0 | 87.8 | Warehouse | 1 | 0.0 | 92.4 |
| Medical | 65 | 0.8 | 88.6 | Unknown | 601 | 7.6 | 100.0% |
| Service facility | 55 | 0.7 | 89.3 | Total | 7,929 | | |

Note: Codes not appearing in Archibus include Easement, Manufacturing, and State Forest.

Source: Kentucky. Finance and Administration Cabinet. Division of Real Properties, Archibus database.

More than 10 percent of properties are residences, more than half of which are student housing at state universities.

More than 10 percent of properties are classified as residences. Table 2 shows the distribution of residences across state agencies. More than 60 percent are student housing at higher education institutions. The University of Kentucky owns nearly 30 percent of properties classified as residences. Other examples are correctional housing, state park cabins, and 4-H camp housing.

Table 2
State-Owned Real Property Assets Designated As Residences

| Institution | Residences | % Of Total | Cumulative % |
|---|-------------------|-------------------|---------------------|
| Higher Education | | | |
| University of Kentucky | 246 | 29.4% | 29.4% |
| Eastern Kentucky University | 90 | 10.8 | 40.1 |
| Murray State University | 51 | 6.1 | 46.2 |
| Northern Kentucky University | 42 | 5.0 | 51.3 |
| Morehead State University | 23 | 2.7 | 54.0 |
| Western Kentucky University | 23 | 2.7 | 56.8 |
| University of Louisville | 13 | 1.6 | 58.3 |
| Kentucky Community and Technical College System | 10 | 1.2 | 59.5 |
| Kentucky State University | 9 | 1.1 | 60.6 |
| Subtotal | 507 | | |
| Department of Parks | 98 | 11.7 | 72.3 |
| Department of Corrections | 66 | 7.9 | 80.2 |
| Department of Fish And Wildlife Resources | 49 | 5.9 | 86.0 |
| Cabinet for Health and Family Services | 43 | 5.1 | 91.2 |
| Department of Education | 34 | 4.1 | 95.2 |
| Department of Juvenile Justice | 10 | 1.2 | 96.4 |
| Department for Natural Resources | 7 | 0.8 | 97.3 |
| Kentucky Housing Corporation | 5 | 0.6 | 97.8 |
| Finance and Administration Cabinet | 4 | 0.5 | 98.3 |
| Kentucky Horse Park | 3 | 0.4 | 98.7 |
| Department of Veterans Affairs | 3 | 0.4 | 99.0 |
| Kentucky State Nature Preserves Commission | 2 | 0.2 | 99.3 |
| Kentucky River Authority | 2 | 0.2 | 99.5 |
| Kentucky Transportation Cabinet | 1 | 0.1 | 99.6 |
| Department of State Police | 1 | 0.1 | 99.8 |
| Kentucky Heritage Council | 1 | 0.1 | 99.9 |
| Department of Military Affairs | 1 | 0.1 | 100.0 |
| Total | 837 | | |

Source: Kentucky. Finance and Administration Cabinet. Division of Real Properties, Archibus database.

Archibus lists 33 vacant properties, most belonging to the Department of Parks.

Archibus lists 33 properties as vacant. Table 3 shows that seven agencies reported vacant property assets, with the Department of Parks reporting more than one-half of them. Seven of the department's 17 vacant properties were considered for demolition.

**Table 3
State-Owned Real Property Assets Designated As Vacant**

| Agency | Properties |
|---|-------------------|
| Department of Parks | 17 |
| Cabinet for Health and Family Services | 5 |
| Kentucky State Nature Preserves Commission | 5 |
| Kentucky Community and Technical College System | 2 |
| University of Kentucky | 2 |
| Department for Natural Resources | 1 |
| Morehead State University | 1 |
| Total | 33 |

Source: Kentucky. Finance and Administration Cabinet. Division of Real Properties, Archibus database.

Properties With Problematic Information In Archibus

Archibus lists 601 properties that do not have building use code descriptions. DRP does not require agencies to enter a use code for reporting.

No Building Use Designation. Program Review staff determined that 601 properties did not receive building use code descriptions or were designated as unknown in the Archibus system. Table 4 illustrates that the Transportation Cabinet, University of Kentucky, Department of Fish and Wildlife Resources, and Department of Parks accounted for nearly 87 percent of properties without a building use code. DRP does not require that agencies enter a building use code when reporting real property assets. Without building use codes or property descriptions, however, the state has an incomplete picture of assets. For example, agencies use current real property inventories when making decisions about what to sell as surplus and what to acquire or build. A more complete description of assets also allows agencies to determine whether facilities are being used appropriately. Having a comprehensive understanding of real property asset utilization would enable agencies to be more effective in making decisions.²

Recommendation 1

Recommendation 1

The Finance and Administration Cabinet should ensure that agencies provide building use code descriptions in all real property reporting forms.

Table 4
State-Owned Properties Without A Building Use Code

| Agency | Properties | % Of Total | Cumulative % |
|---|-------------------|-------------------|---------------------|
| Kentucky Transportation Cabinet | 173 | 28.8% | 28.8% |
| University of Kentucky | 151 | 25.1 | 53.9 |
| Department of Fish and Wildlife Resources | 111 | 18.5 | 72.4 |
| Department of Parks | 87 | 14.5 | 86.9 |
| Kentucky Community and Technical College System | 40 | 6.7 | 93.5 |
| Eastern Kentucky University | 15 | 2.5 | 96.0 |
| Kentucky Educational Television | 5 | 0.8 | 96.8 |
| Northern Kentucky University | 4 | 0.7 | 97.5 |
| Western Kentucky University | 3 | 0.5 | 98.0 |
| Morehead State University | 3 | 0.5 | 98.5 |
| University of Louisville | 2 | 0.3 | 98.8 |
| Department for Natural Resources | 1 | 0.2 | 99.0 |
| Kentucky State Fair Board | 1 | 0.2 | 99.2 |
| Governor's Office for Technology | 1 | 0.2 | 99.3 |
| Kentucky River Authority | 1 | 0.2 | 99.5 |
| Kentucky State Nature Preserves Commission | 1 | 0.2 | 99.7 |
| Department of Military Affairs | 1 | 0.2 | 99.8 |
| Unknown | 1 | 0.2 | 100.0% |
| Total | 601 | | |

Source: Kentucky. Finance and Administration Cabinet. Division of Real Properties, Archibus database.

Among 34 properties sold since 1998, Program Review staff found nine property transactions with missing data in Archibus, including properties that had no sale value, had missing information, or seemed to qualify for transfer instead of sale.

Among 34 properties sold since 1998, Program Review staff found nine property transactions with missing data in Archibus and asked DRP staff to provide clarifications. These included properties that had no sale value, had missing information, or seemed to qualify for transfer instead of sale.

Reported Sale Value Of \$0.

- **A sale to Metcalfe County Fiscal Court in 2005 for \$0.**
Program Review staff asked whether the grantee names listed in Archibus were correct and why no appraisal or sale value was provided. DRP staff stated that the property was originally acquired from the Brock family by the Transportation Cabinet. The cabinet then entered into a lease purchase agreement with the county for annual renewals. The lease was for 1 year with four annual renewals, with rent of \$8,000 per year. Once the lease expired, the property was conveyed. The property was appraised for \$40,000. Although the property was not sold in one payment, the sale price after all lease payments were made equaled the appraisal.
- **A sale to S&F Investments LLC for \$0.** Program Review staff asked for the date of sale and additional information about a “trade” of a property to S&F Investments LLC. DRP staff

stated that the date of the exchange was April 4, 2006. The property conveyed to S&F was appraised at \$1,215,000, and the property conveyed to the Transportation Cabinet was valued at \$2,083,000. S&F was also to construct additional structures on the property being conveyed to the Transportation Cabinet.

- **A sale to BellSouth Telecommunications in 2004 for \$0.** Program Review staff requested information regarding the lack of appraisal or sale value for one transaction. DRP staff stated that the sale was only for the building. The state entered into a restricted purchase agreement to convey the structure to BellSouth. There was no record of an appraisal being completed or a sale price for the building.

Missing Information.

- **A sale to the Transportation Cabinet in 1999 for \$110,250.** Program Review staff requested information as to why the property was sold instead of transferred. DRP staff stated that there was nothing in the file other than the deed.
- **A sale to Morehead State University in 2017 for \$1,894,000.** Program Review staff requested information regarding the appraisal value and requested clarification of a comment that DRP did not receive the deed of transfer. DRP staff stated that they were unable to locate the file.
- **A sale to Carroll County in 2016 for \$350,000.** The property was originally used for Camp KYSOC (“Keep Your Sights on Challenge”), which served disabled adults and disabled children. Archibus indicated that this property was a donation with restrictions and a reversionary clause. Although the transaction resulted in a sale, there was no appraisal value.
- **A sale to Three Rivers Holdings LLC in 2012 for \$100,000.** The property was formerly known as the National Guard Armory and was operated by the Department of Military Affairs. The property was appraised for \$240,000.

Sold But Seemed To Qualify For Transfer.

- **A sale to Kentucky State University in 2010 for \$205,000.** Program Review staff asked why the property was sold instead of transferred. DRP staff stated that the Department of Military Affairs initially requested an appraisal for a potential sale, but then the university offered to buy the property because it was in the campus plan. The property was appraised for \$251,000.
- **A sale to the Transportation Cabinet in 1999 for \$26,425.** Program Review staff asked why the property was sold instead of transferred. DRP staff stated they had no record of correspondence regarding this conveyance. A copy of the deed

states that the Secretary of the Finance and Administration Cabinet made a determination that it was in the best interest of the commonwealth to convey the property to the Transportation Cabinet for \$26,425.

Recommendation 2

Recommendation 2

The Finance and Administration Cabinet should ensure that all property disposition files are complete and that Archibus is up-to-date and reflects paper files associated with a disposition.

Real Property Assets And Closing Packages

Closing packages allow changes to be made within Archibus and the statewide accounting system eMARS. It is the responsibility of each agency to note any changes and notify DRP and the Office of the Controller.

DRP and the Office of the Controller use documents called “closing packages” to track changes to real property assets. Closing packages contain information about real property assets from the previous fiscal year. The responding agency is responsible for addressing and noting any changes and returning the closing package to DRP and the controller. Agencies use specific forms in the closing package to note changes. Changes are entered into Archibus and the statewide accounting system eMARS.

Disposal Of Real Property

The Finance and Administration Cabinet has the authority to approve property transfers, to salvage, and to condemn supplies and equipment and real property. The cabinet also has the authority to sell, trade, or dispose of any property that is not needed or would be better suited for another public use.

The Finance and Administration Cabinet is empowered, with the secretary’s approval, “to transfer between departments, to salvage, to exchange, and to condemn supplies, equipment, and real property” (KRS 45A.045(1)(b)). The cabinet, at the secretary’s discretion, must sell, trade, or otherwise dispose of state real property that is not needed, has become unsuitable for public use, or would be more suitably used in the public’s interest in another manner (KRS 45A.045(4)). Agencies wishing to dispose of property make a written request to the cabinet describing the property and reasons for disposal. The secretary reviews the requests before entering an order regarding the disposition of the property. The secretary typically follows the recommendation of DRP. Staff at DRP ask other state agencies whether there is another public use for the property. If no agency expresses a need, staff recommends selling the property or transferring the property to a local government entity.³

All recording documents that convey an interest in any state real property must be executed and signed by the secretary and approved by the governor. The property is sold either by invitation of sealed bids or by public auction, unless the secretary deems it in the state’s best interest to proceed otherwise (KRS 45A.045(4)).

Surplus Real Property

The state does not use a centralized process to identify surplus real property. The cabinet does not determine which properties are surplus, idle, or suited for better use. Each agency reports assets it considers surplus to DRP. The division does not perform periodic inspections, because of lack of staff and funds.

The state does not use a centralized process to identify surplus real property. The Finance and Administration Cabinet does not determine which properties—other than its own—are considered surplus, underutilized, or suited to better use. Each agency reports to DRP, as needed, real property assets that the agency considers surplus. Regulation states that [p]eriodic inspections shall be made by the Division of Real Properties to determine accuracy of reports” (200 KAR 6:015, sec. 4). In practice, the division does not perform periodic inspections, because of lack of staff and funds.⁴

The request to designate property as surplus is typically a form letter or memorandum that includes the property to be declared surplus, with supporting documentation.⁵ DRP checks to see whether the property can be used by another state agency.⁶ If another agency has an interest in acquiring surplus real property, the division organizes a transfer. If there is no agency interest, the property is offered for sale. Sale of property is conducted by sealed bid or by public auction. According to division officials, almost all properties are sold through sealed bids; public auctions are rare.⁷

The cabinet secretary gives final approval on all real property dispositions. DRP then orders appraisals of properties up for sale.

Following a review of an agency’s request to surplus property, DRP creates an official order authorizing disposition. The order is submitted to the secretary of the Finance and Administration Cabinet for final review and approval.⁸ DRP orders an appraisal of the property.

DRP can negotiate sales of property for fair market value or convey at no cost to other state or local government agencies before the property is made available to the public.

DRP can negotiate a sale at appraised fair market value with a state or local government entity if the property will be used for another public purpose. The Finance and Administration Cabinet secretary also has discretion to convey the property at no cost to a state or local government entity if the property is to be used for a public purpose. If such a sale or transfer does not occur, the property is offered for sale to the public.⁹

DRP is responsible for publicizing all surplus property available for sale.

The division is responsible for publicizing the availability of surplus real property. The agency requesting disposal of surplus real property is responsible for advertising costs or signage. Publications always include a property description, date of bid opening or auction, and any restrictions.¹⁰

DRP is considering working with State Risk and Insurance Services again to obtain a more comprehensive and up-to-date description of assets.¹¹ Collaboration between DRP and State Risk and Insurance could also alleviate the burden on staff. Developing

a survey tool to assess in detail current real property holdings across agencies may also be beneficial.

Recommendation 3

Recommendation 3

The Division of Real Properties should consider designing and implementing a survey that helps agencies identify underused or unnecessary space. The division should then consider advising agencies on space planning and identifying potential surplus properties.

Appraisal And Sale Values Since 1998

The Finance and Administration Cabinet contracts for appraisal services and uses pooled contracts maintained by the Transportation Cabinet. Appraisers are selected based on certifications, location, and price quote. If possible, DRP selects an appraiser in the area of the property offered for sale.

The Finance and Administration Cabinet contracts for appraisal services and uses pooled contracts maintained by the Transportation Cabinet.¹² The contracts have a prequalified list of real estate appraisers. According to DRP staff, before real property is offered for sale, the deed, maps, and any other relevant information are sent to at least five qualified appraisers for bids. Appraisers are selected based on certifications, location, and price quote.¹³ If possible, DRP selects an appraiser in the area of the property offered for sale. Once an appraisal is received, DRP staff complete a review and ask for clarification if needed.

Surplus property has been sold for less appraised values, especially since 2009. The Model Procurement Code seems to indicate that a property should be sold for less than its appraised value.

State properties have been sold for less than their appraised value, especially since 2009.¹⁴ However, the Model Procurement Code seems to indicate that real property should not be sold for less than its appraised value.

The selling price of any interest in real property shall not be less than the appraised value thereof as determined by the [Finance and Administration] cabinet, or the Transportation Cabinet for the requirements of that cabinet (KRS 45A.045(4)).

If sealed bidding does not result in an offer equal to or greater than the appraised value during the first solicitation, then DRP does not award a sale. The property is resolicited, and bids are accepted a second time. At this point, it is for the cabinet secretary and division staff to decide whether awarding a sale is appropriate. DRP staff said they interpret the statute to mean that when a property is sold through sealed bidding, resulting in an award, then the market has spoken and the sale price is fair market value.¹⁵ Also, cabinet property disposition policy appears to interpret appraisals as optional: “[I]f required by law, or if it is determined to be necessary by DRP, a survey and appraisal of the property shall be performed.”¹⁶ DRP attempts to sell properties for the

highest possible price, but that price does not necessarily match the appraised value.

Over the 1998 to May 2017 period, the total value of sales (\$11.5 million) was \$2.1 million less than total appraised values (\$13.6 million).

The following sections focus on properties that sell for less than their appraised values. Note that some properties sell for more than their appraised values. Over the 1998 to May 2017 period, the total value of sales (\$11,473,186) was \$2.1 million less than total appraised values (\$13,579,875).

Most properties were sold for appraised value or slightly less from 1998 to 2008. Since 2009, of the 14 properties that were sold for less than \$500,000, the prices of 11 were below appraisal. Five of the 11 were sold for less than half the appraised value.

Figure A shows real property assets that have been sold through sealed bidding since 1998. According to division records, five properties were sold for over \$500,000 and 25 properties were sold for less than \$500,000. These do not include transfers to other state entities or local governments.

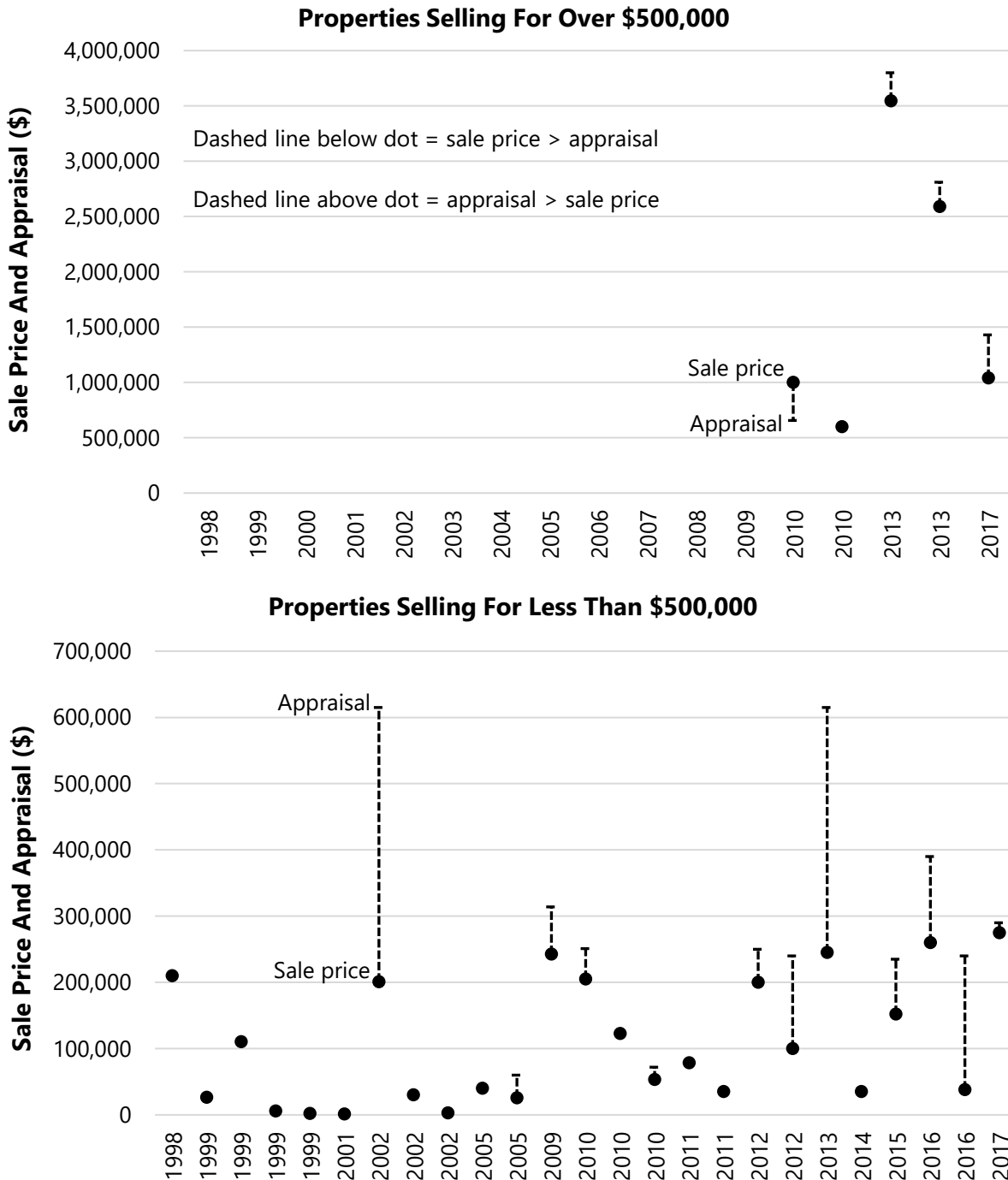
In many cases, properties were sold for less than their appraised values. With the exception of one sale in 2002, most sales from 1998 to 2008 achieved either the appraised value or slightly less. Properties that were more expensive were sold for closer to the appraised value.

Since 2009, of the 14 properties that were sold for less than \$500,000, the prices of 11 were below appraisal. Five of the 11 properties were sold for below 50 percent of appraised value.

- In 2002, the state sold property to the Pikeville Main Street Church of Christ for \$201,050. The property was appraised for \$615,000. According to DRP staff, this property belonged to the Kentucky Community and Technical College System. The file contains only the deed.
- The state sold the Rumsey Fisheries Office to two individuals in 2005 for \$25,700 after four bid attempts. The property was appraised for \$60,000.
- In 2012, the state sold property to Three Rivers Holdings LLC for \$100,000. The property was appraised for \$240,000. Archibus indicates “multiple bid attempts” in the comments field.
- In 2013, after two bid attempts, the state sold property identified as a “public advocacy office” in Lexington for \$245,000. The property was appraised for \$615,000. The buyer was Swell Properties Inc.
- The Historic Hoge House in Frankfort was sold for \$38,100 to two individuals in 2016. The property was appraised for \$240,000. According to DRP officials and Archibus records, there were four bid attempts before the sale.

Total appraised value for the five properties was \$1.7 million. Total sale value was \$609,850.

Figure A
Real Property Sale Prices And Appraisals
1998 To 2017



Note: A marker with no dotted line indicates that the sale price was at least the appraised value except for the second 2010 sale in the top graph, which was for \$10,000 below appraisal, a difference too small to show up in the graph. Four properties (sales to S&F Investments, BellSouth, Morehead State University, and Carroll County) discussed on Pp. 6-7 of this report are not included in the figure because a sale price and/or appraisal could not be determined.

Source: Kentucky. Finance and Administration Cabinet. Division of Real Properties, Archibus database.

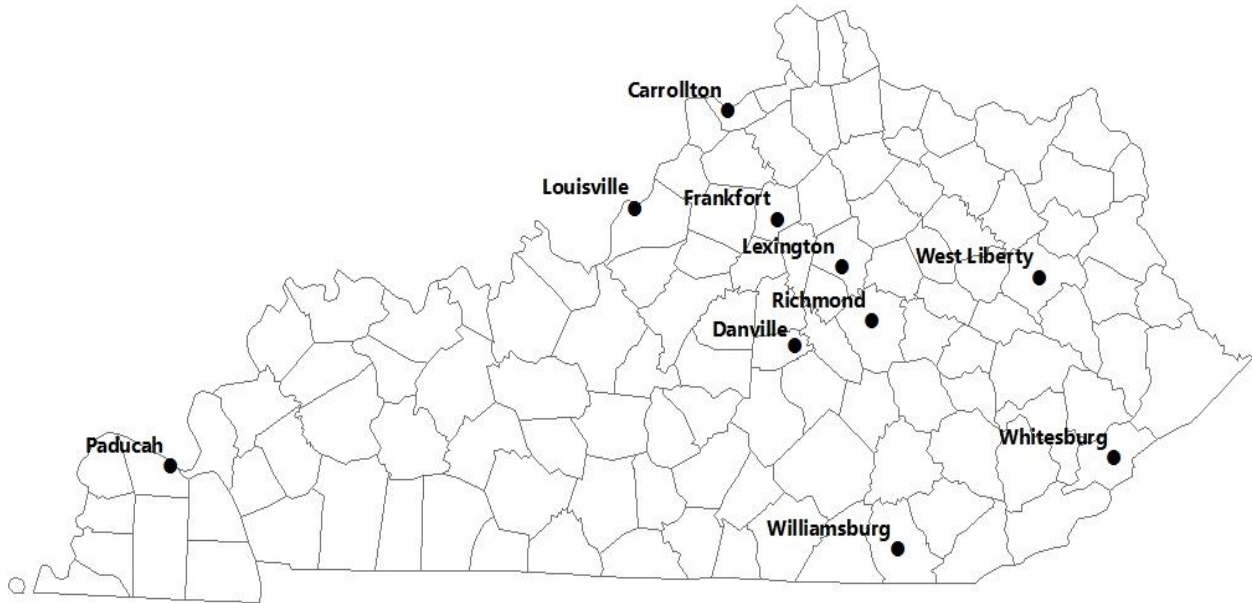
Sales Of Real Property From 2012 To 2017

Thirteen properties were sold for a total of approximately \$10.7 million from 2012 to 2017.

From February 21, 2012, to May 31, 2017, DRP reported that 13 properties were sold for a total of approximately \$10.7 million. The 13 sales were in 10 counties, and most properties were state office buildings. The Kentucky Department of Parks sold approximately 81 acres of land to Carroll County that had been previously used for Camp KYSOC. The two largest transfers were of parking garages in Louisville (\$2.5 million) and Lexington (\$3.5 million). In addition to property disposals resulting in sales, 32 disposals did not result in sales. Examples of disposals not resulting in a sale were interagency transfers, donations to local government, and built-to-suit leases.

Program Review staff reviewed all properties sold from February 21, 2012, to May 31, 2017. Three of the properties did not show appraisal values in the Archibus management system. Staff also had difficulty determining correct addresses for two properties. Figure B shows the locations of properties sold in the past 5 years. Table 5 shows the property description, date of sale, buyer, appraisal value, and sale price. For properties with missing appraisals, DRP staff were able to determine values through a review of paper files. Addresses were reviewed and checked against property valuation administrators' records, agency records, and Google Maps.

Figure B
Locations Of Properties Sold
February 21, 2012, To May 31, 2017



Note: One property each was sold in all cities shown except Frankfort (two) and Lexington (three).
 Source: Kentucky. Finance and Administration Cabinet. Division of Real Properties, Archibus database. Map created by Program Review staff.

Table 5
Properties Sold
February 21, 2012, To May 9, 2017

| Address, City/County | Description | Date Sold, Buyer | Appraisal Value | Sale Price |
|--|---|--|----------------------------|-------------------|
| 300 S. Upper St. Lexington-Fayette | Office building operated by Dept. for Workforce Investment, 0.97 acres | May 9, 2017 Central Dealers LLC | \$1,430,000 | \$1,040,000 |
| 303 S. 2nd St. Danville/Boyle | Ky. School for the Deaf, operated by Dept. of Education, 55.62 acres | March 24, 2017 Private Individual | 290,000 | 275,055 |
| 155 University Dr.* West Liberty/Morgan | Morehead State Univ.-West Liberty campus, 7.5 acres | Feb. 7, 2017 Morgan County Public Property Corp. | Not indicated | 1,894,000 |
| 1608 Hwy. 227 Carrollton/Carroll | Formerly known as Camp KYSOC ("Keep Your Sights on Challenge") General Butler State Park, operated by Dept. of Parks, 80.67 acres | Nov. 18, 2016 Carroll County | None | 350,000 |
| 302 Wilkinson St. Frankfort/Franklin | Historic Hoge House, operated by Finance & Administration Cabinet, 0.29 acres | Aug. 23, 2016 Private Individual | 240,000 | 38,100 |

| Address, City/County | Description | Date Sold, Buyer | Appraisal Value | Sale Price |
|--|--|---|----------------------------|---------------------|
| 109 E. Irvine St. Richmond/Madison | Dept. for Community Based Services building, operated by Finance & Administration Cabinet, 0.52 acres | May 9, 2016 1st Richmond Co. LLC | 390,000 | 259,951 |
| 601 E. Main St. Frankfort/Franklin | Warehouse/garage, operated by Finance & Administration Cabinet, 0.41 acres | May 22, 2015 McAnelly Properties LLC | 235,000 | 152,100 |
| 1876 Cumberland Falls Hwy.** Williamsburg/Whitley | Fisheries office and shop, operated by Dept. of Fish & Wildlife Resources, 0.17 acres | Sept. 2, 2014 Whitley-McCreary Fraternal Order of Police | 40,000 | 35,002 |
| 250 W. Main St. Lexington-Fayette | Lexington Financial Center Parking Garage, operated by Office of Environmental Development, 0.97 acres | Dec. 30, 2013 Big Blue Parking LLC | 3,800,000 | 3,544,621 |
| 501 W. Main St. Louisville/Jefferson | Ky. Center for the Arts Parking Garage, 2.38 acres | July 1, 2013 Ky. Center for the Arts Endowment Fund | 2,810,000 | 2,590,000 |
| 111 Church St. Lexington-Fayette | Office building, operated by Dept. of Public Advocacy, 0.09 acres | Jan. 3, 2013 Swell Properties Inc. | 615,000 | 245,000 |
| 65 N. Webb St. Whitesburg/Letcher | Office building, operated by Finance & Administration Cabinet | April 20, 2012 Whitesburg Masonic Lodge | 250,000 | 200,000 |
| 17 Clark St.*** Paducah/McCracken | National Guard Armory, operated by Dept. of Military Affairs, 3.9 acres | Feb. 21, 2012 Three Rivers Holdings LLC | 240,000 | 100,000 |
| Total | | | | \$10,723,829 |

*The address is erroneously listed in Archibus as 1155 Continental Drive.

**The address is erroneously listed in Archibus as US25 West and Colburn Street.

***Appraisal information did not appear in Archibus.

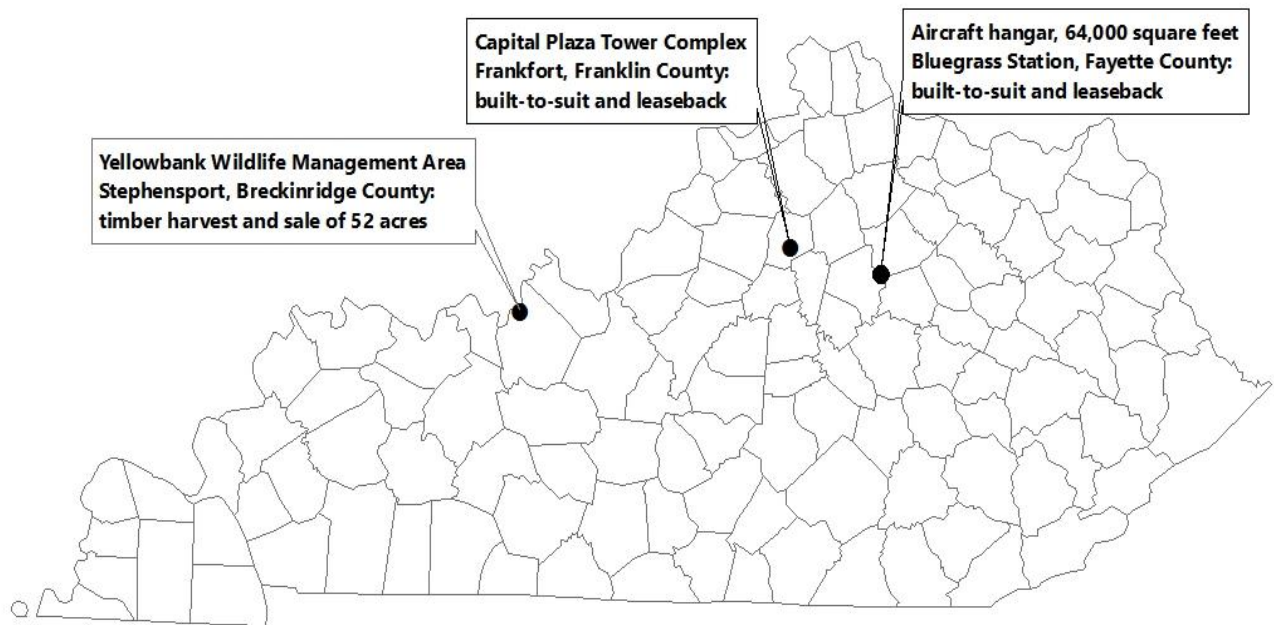
Source. Kentucky. Finance and Administration Cabinet. Division of Real Properties, Archibus Database.

Properties For Sale As Of January 2018

As of January 2, 2018, DRP listed three properties for sale, involving a license to harvest and sell timber in Breckinridge County; a design, develop, construct, and leaseback proposal for an aircraft hangar in Fayette County; and a leaseback arrangement for the Capital Plaza Tower in Frankfort.

As of January 2, 2018, DRP listed three properties for sale. The first involves a license to harvest and sell timber at the Yellowbank Wildlife Management Area in Breckinridge County. The second property involves a design, develop, construct, and leaseback proposal for an aircraft hangar in Bluegrass Station, Fayette County. The last involves a leaseback arrangement involving the Capital Plaza Tower Complex in Frankfort. Figure C shows the location of properties for sale in Kentucky.

**Figure C
 Locations Of Properties For Sale
 January 2, 2018**



Source: Kentucky. Finance and Administration Cabinet. Division of Real Properties. Map created by Program Review staff.

Surplus Real Property Best Practices

South Carolina Real Property Management Evaluation

A 2015 South Carolina study recommended three strategies to improve state property utilization: reduce square footage of occupied space, centralize management, and upgrade processes and technology.

A 2015 study undertaken for the state of South Carolina recommended centralized management to reduce the state's real estate holdings. South Carolina's Department of Administration has oversight of the state's real property inventory but does not manage or control many of the actual properties. Direct control of the properties is by the occupying agencies, which is similar to how Kentucky manages properties.¹⁷ The evaluation recommended three strategies to improve the state's real property utilization for space optimization and fiscal savings.

- Occupied square footage could be reduced by adopting space standards and resizing pending and future requests accordingly. Agencies could use space utilization form outlining space standards for planning purposes. Examples of spaces include 48 square feet for a standard workstation, 25 square feet for a small workstation, and 120 square feet for a standard office.
- Centralizing properties management could save money by improving control of spending and vendor management (economies of scale), and improving data integrity.
- Upgrading tools, processes, and technologies includes implementing an industry-recognized property management chart of accounts (with maintenance expenses tracked), training employees by using new tracking processes and technology, and using the 30-year facilities condition assessment tool to monitor properties for long-term planning.¹⁸

Workplace Space Utilization And Allocation Study

A US General Services Administration study showed that a growing number of employees are not provided permanent office space because of alternative workspace arrangements such as telecommuting or virtual office. Square footage requirements for employees have been decreasing. Contributing factors to the reduction in office space allocation include teamwork, mobile workforces, laptop computers, smartphones, and videoconferencing.

In 2010-2011, the US General Services Administration (GSA) conducted a workspace usage and allocation survey of the federal government and private sector. Approximately 79 percent of the 75 responses were from US organizations. More than 40 percent of respondents reported having full-time teleworkers who were not provided permanent office space. More than 75 percent of government and private entity respondents provided alternative workspace arrangements. Government agency arrangements included telework, hoteling (reserving an office workspace on an as-needed basis), telework centers, and desk sharing. Private entities offered virtual office and as-needed office space alternatives in addition to those also offered by government entities.¹⁹

GSA research indicates that government and private sector office workspace requirements are dropping. In the 2000s, space requirements ranged from 200 to 400 square feet per person. At the time of the report in 2011, requirements were approximately 190 square feet per person and were projected to be approximately 60 square feet within 5 years. Contributing factors to the reduction in office space allocation include teamwork, mobile workforces, laptop computers, smartphones, and videoconferencing. Survey respondents reported that office space allocation is somewhat dependent on hierarchy, with more workspace allocated to executive levels and the least to support staff. Based on survey data, GSA benchmarked samples of workspace allocations. For a security division within a domestic US government organization, workspace allocations ranged from 400 square feet for an executive office to 48 square feet for clerical staff (with five intermediate staff levels). The majority of employees work in private offices, but teleworking and teleworking centers are alternative options.²⁰

State Examples

The Georgia State Properties Commission manages the state's real property portfolio. Since 2004, Georgia has sold approximately \$43.1 million of surplus real property.

Georgia. The State Properties Commission (SPC) manages the state's real property portfolio. Since 2004, Georgia has sold approximately \$43.1 million of surplus real property.²¹ SPC has four coordinated divisions: Asset Management, Space Management, Land, and Leasing. SPC represents a centralized, statewide approach to real property management.

The Asset Management Division

evaluate[s] the value or interest or current owned and leased real property assets and recommend[s] changes that increase its value to the state or its market value to the commercial sector.²²

The commission's Asset Management Division actively assesses and monitors five processes relative to the state's real property holdings. The division further prioritizes assets that have the most potential for surplus, investment, or change based on varied criteria.

The division actively assesses and monitors five processes relative to the state's real property holdings. The initial process of determining "core" and "noncore" assets provides broad prioritization of properties. The division further prioritizes assets that have the most potential for surplus, investment, or change based on varied criteria. Total cost of occupancy (TCO) measures elements such as capital investment, maintenance, repairs, insurance, rent, depreciation, and amortization. The Asset Management Division applies the TCO measure in collaboration with other agencies to make decisions regarding ownership, leasing options, and potential occupant relocation. SPC may perform in-depth analysis of single assets to "determine current and lifecycle costs, feasibility and highest and best use."²³

The commission's Space Management Division helps agencies develop space utilization programs and floor plans. In 2015, the commission developed "space standards" that prescribe space allocations for types of positions and types of rooms.

The Space Management Division helps agencies develop space utilization programs and floor plans. In 2015, SPC developed "space standards" that prescribe space allocations for types of positions and types of rooms. The standards were developed in consultation with architects and portfolio management professionals and are based upon current practices in business and government.²⁴

In June 2017, SPC went live with its Real Estate and Asset Communication Hub. It allows electronic requests, such as for disposing of a property, to be submitted by agencies to SPC. The status of transactions can be monitored in real time.²⁵

Tennessee manages its real property assets using a semicentralized process. The "Alternative Workplace Solutions" initiative identifies assets that are no longer necessary and resources that can be consolidated. Job classifications are used to identify employees who may not require a traditional office workspace.

Tennessee. The Department of General Services' State of Tennessee Real Estate Management Division (STREAM) manages most state-owned real property using a semicentralized process. Two focus areas of the division's 2017 real estate strategy are centralizing real estate management and eliminating unneeded buildings and properties. To centralize real estate management, the state will

- implement standards, policies, and procedures to guide decisions;
- implement space standards across agencies;
- implement digital storage across agencies; and
- establish guidelines for when to own and when to lease.

To eliminate unneeded buildings and properties, Tennessee will

- conduct space plan analysis to consolidate unused or vacant space and
- identify excessive or unneeded properties statewide for disposal.²⁶

STREAM uses Alternative Workplace Solutions (AWS), a program of the Tennessee Office of Customer Focused Government, to identify assets that are no longer necessary and resources that can be consolidated. The program is being implemented in 17 of 23 agencies, and reductions were expected to take effect in 2017. AWS focuses on workplace mobility and allow[s] eligible employees to work how they work best for the job they are currently doing. As agencies adopt AWS, their space needs are reduced—creating underutilized or vacant space. The space created by AWS will generate unnecessary square footage and should allow for the elimination of unneeded buildings and properties.²⁷

AWS currently uses three job classifications (and combinations thereof) to identify employees who may not require a traditional

office workspace: Work from Home, Mobile Work, and Free Address. Free Address means that an employee does not have an assigned office space in an agency building. The employee moves freely with his or her work, or works from home and visits an open office space designated for that type of employee at the agency when needed.²⁸

Lease Of Real Property In Kentucky

As of November 16, 2017, Kentucky had 1,481 active leases, of which the state was lessee of 1,030 and lessor of 451. At that time, the state received approximately \$14.1 million in annual lease payments and paid approximately \$50 million.

The state may be the lessor or lessee of real property. For interagency leases, the state is considered the lessee. As of November 16, 2017, Kentucky had 1,481 active leases, of which the state was the lessee of 1,030 and the lessor of 451.

Table 6 shows the types of leases found in the Archibus database. The majority are fixed fee and include an annual rent amount. Other types are similar to percentage-based commercial property leases. Percentage-based leases can also include a fixed fee. Types of leases that do not include a fixed fee or monetary or commodity exchange are no-cost leases and service agreements.

Table 6
Lease Types In Kentucky

| Type | Example |
|--|---|
| Fixed fee | Fixed-fee leases consist of an agreed-upon annual rent amount. The majority of leases fall into this category. |
| Fixed fee plus percentage of crop | The Department of Fish and Wildlife Resources leases land in Stephensport for soybean production. This property pays an annual rent in addition to leaving 10 percent of the crop. |
| Fixed fee plus percentage of receipts | The State Fair Board leases property to the Sleep Inn on Preston Highway in Louisville for \$50,000 annual rent plus 3 percent of gross sales. |
| One-time fixed payment | The North Frankfort Fire Station on Holmes Street paid \$99 at the start of the lease in 1970 and does not pay annual rent. |
| Percentage of crop only | The Department of Fish and Wildlife Resources leases a portion of the West Kentucky Wildlife Management Area for hay production. Fifty-three percent of the crop must be left standing in the field as annual rent. |
| Percentage of receipts only | The Kentucky Dam Marina pays 5.5 percent of gross receipts in annual rent. |
| Variable | A quarry operation in Jefferson County has a lease with an annual rent based on \$0.03 per ton extracted with a \$6,381.55 minimum annual payment. |
| No cost | The Vietnam Veterans Memorial in Frankfort has a no-cost lease. |
| Service agreement without exchange of money or commodity | The Department of Fish and Wildlife Resources leases the Miller Welch Wildlife Management Area to the Central Kentucky Gun Club. The club manages the trap and skeet shooting range in exchange for leasing the property. |
| Not applicable | Division of Real Properties staff stated that lease codes have changed over time and that some may need to be reevaluated to fit in with another definition. The football field expansion with the Oldham County Board of Education and the Roederer Correctional Complex in La Grange is, in practice, a no-cost lease but is entered as "not applicable." |
| Blank | The lease type field is left blank when the arrangement does not fit any other lease type. Under an agreement between the Department for Natural Resources and the Bracken County Conservation District, the district has a 10-year loan for property mortgage and will make 120 monthly payments of \$683.40. |

Source: Kentucky. Finance and Administration Cabinet. Division of Real Properties.

Table 7 shows the number of active leases for which the state is the lessee. The state pays total annual rent of approximately \$50 million on active leases, nearly \$45.5 million of which is paid through fixed-fee leases. In some instances, a no-cost lease will reflect payment amounts after the initial terms of the lease have lapsed, depending on the agreement. Twenty-eight leases did not specify the type of lease payment, with either a blank entry or a “not applicable” designation.

Table 7
State As Lessee Leases And Annual Rent
As Of November 16, 2017

| Type Of Payment | Leases | Annual Rent |
|--|---------------|---------------------|
| Fixed fee | 703 | \$45,489,085 |
| Variable | 21 | 4,087,355 |
| Field left blank | 19 | 411,515 |
| One-time fixed payment | 93 | 2,580 |
| Fixed fee plus percentage of receipts | 1 | 1,380 |
| No cost | 158 | 0 |
| Not applicable | 9 | 0 |
| Service agreement without exchange of money or commodity | 26 | 0 |
| Total | 1,030 | \$49,991,915 |

Source: Kentucky. Finance and Administration Cabinet. Division of Real Properties, Archibus database.

Table 8 shows the number of active leases for which the state is the lessor. The state receives an annual rent of approximately \$14 million from active leases, nearly \$11.2 million of which is through fixed-fee lease payments. No-cost leases often include a payment schedule after the no-cost provision expires, resulting in an amount appearing in Archibus. No-cost and \$1 leases are typically with government entities.³⁰ For 29 leases, the type of lease payment was left blank or designated as “not applicable.”

**Table 8
 State As Lessor Leases And Annual Rent Totals
 As Of November 16, 2017**

| Type Of Payment | Leases | Annual Rent |
|--|---------------|---------------------|
| Fixed fee | 193 | \$11,194,156 |
| Variable | 20 | 1,280,625 |
| Fixed fee plus percentage of crop | 26 | 913,976 |
| Fixed fee plus percentage of receipts | 12 | 453,073 |
| One-time fixed payment | 32 | 248,868 |
| No cost | 80 | 17,310 |
| Percentage of receipts only | 39 | 10,537 |
| Service agreement without exchange of money or commodity | 19 | 1 |
| Not applicable | 19 | 0 |
| Percentage of crop only | 1 | 0 |
| Field left blank | 10 | 0 |
| Total | 451 | \$14,118,545 |

Note: Total does not equal the sum of annual rents shown because of rounding.

Source: Kentucky. Finance and Administration Cabinet. Division of Real Properties, Archibus database.

Built-To-Suit And Leaseback Proposals

The Finance and Administration Cabinet can use built-to-suit leases. This arrangement allows land to be transferred to another entity that will construct a project and lease the building back to the state until the state attains ownership once the lease amortizes.

The Finance and Administration Cabinet uses a practice known as “built-to-suit” or “design, bid, build, finance.” Built-to-suit leases involve the state transferring ownership of land to another entity that builds a capital project on the land, rents the constructed facility to the state, and eventually turns the land and the facility over to the state after the lease has amortized. Built-to-suit leases require the contracted entity to design, finance, and build the project and may require the entity to manage the maintenance of the facility once it is leased to the state (KRS 56.8161). These types of arrangements are also called leasebacks. The 300 Building in Frankfort is a built-to-suit project. The state entered into a lease agreement with CRM/DW Wilburn LLC for 35 years following the completion of the project. The state conveyed the land, and CRM/DW Wilburn provided financing and construction.

Leasing In Other States

In Washington, the state may issue a request for proposals without capital financing. The developer builds on state-owned property and rents the property back to the state. The developer provides all financing for the project.

The state of Washington's lease development arrangement is nearly identical to Kentucky's. Washington can issue a request for proposals for a building without capital financing. The winning developer builds on the land, and the state rents the property. Since the developer is responsible for all capital construction costs and financing, the state is relieved of the initial cost burden. Eventually, the state would own the property, including improvements.³¹

Missouri has moved away from leased space and has maximized the assets it owns. Since 2009, the state has reduced leased space by 15 percent and saved approximately \$6.3 million.

A study conducted in 2015 showed that real property asset management in Missouri has moved away from leased space and toward ownership. Missouri uses its electronic asset management system to track the condition of buildings and vacancy issues. The state has been able to maximize the space it owns through aggressive preventive maintenance. Building maintenance needs are outlined in a 6-year plan.

Since 2009, Missouri has reduced leased space by 486,285 square feet (or about 15 percent) and routine maintenance means the state has to do fewer repairs. Total savings over the last six years has been about \$6.3 million.³²

A 2015 report found that North Carolina could save an estimated \$2.6 million by moving operations from seven leased facilities into underutilized state-owned facilities.

A 2015 report found that North Carolina needed to improve its real property portfolio management in an effort to reduce costs. One of the major findings was that the state could save an estimated \$2.6 million in future costs through optimizing state-owned space rather than leasing. The report stated that operations in seven leased properties could be consolidated into state-owned buildings.³³

Through a comprehensive overhaul of its real property reporting and management processes, Georgia was able to save \$10 million over 20 years through lease renegotiation.

In 2007, Georgia reevaluated its real property inventory reporting and management processes. Through the development of a database, the state was able to renegotiate existing leases and save \$10 million over the next 20 years.³⁴

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- ¹ Scott Aubrey, dir. Division of Real Properties. Email to Joel Thomas. Nov. 3, 2017.
- ² Katherine Barrett and Richard Greene. “States Own More Property Than They Know.” *Governing*. Oct. 22, 2015. Web. April 3, 2018.
- ³ Scott Aubrey, dir. Division of Real Properties; Mike Burnside, commissioner. Facilities and Support Services. Interview. Oct. 17, 2017.
- ⁴ Scott Aubrey, dir. Division of Real Properties. Email to Joel Thomas. Nov. 3, 2017.
- ⁵ Kentucky. Finance and Administration Cabinet. Real Property Division. FAP 220-16-00 Disposition of Real Property 2.
- ⁶ *Ibid.*, 2(a, b).
- ⁷ Scott Aubrey, dir. Division of Real Properties; Mike Burnside, commissioner. Facilities and Support Services. Interview. Oct. 17, 2017.
- ⁸ Kentucky. Finance and Administration Cabinet. Real Property Division. FAP 220-16-00 Disposition of Real Property 2(c).
- ⁹ Scott Aubrey, dir. Division of Real Properties; Mike Burnside, commissioner. Facilities and Support Services. Interview. Oct. 17, 2017; Scott Aubrey; Mike Burnside; Judith Piazza, legislative liaison. Finance and Administration Cabinet. Interview. Nov. 28, 2017.
- ¹⁰ Kentucky. Finance and Administration Cabinet. Real Property Division. FAP 220-16-00 Disposition of Real Property 2(e, f).
- ¹¹ Scott Aubrey, dir., Natalie Brawner, assistant dir. Division of Real Properties; Mike Burnside, commissioner. Facilities and Support Services. Interview. July 18, 2018.
- ¹² Scott Aubrey, dir. Division of Real Properties; Mike Burnside commissioner. Facilities and Support Services. Interview. Oct. 17, 2017.
- ¹³ Scott Aubrey, dir. Division of Real Properties. Email to Joel Thomas. April 23, 2018.
- ¹⁴ Kentucky. Finance and Administration Cabinet. Real Property Division. Archibus database. FAC all buildings sold spreadsheet. Nov. 30, 2017.
- ¹⁵ Scott Aubrey, dir. Division of Real Properties.; Mike Burnside, commissioner. Facilities and Support Services; Judith Piazza, legislative liaison. Finance and Administration Cabinet. Interview. Nov. 28, 2017.
- ¹⁶ Kentucky. Finance and Administration Cabinet. Real Property Division. FAP 220-16-00 Disposition of Real Property 2(d).
- ¹⁷ South Carolina. CBRE Inc. *Comprehensive Real Property Evaluation, Strategic Planning And Implementation For South Carolina, Task 3.2—Final Strategic Plan Report*. Oct. 8, 2015. Web. Jan. 11, 2018. P. 7.
- ¹⁸ *Ibid.*, Pp. 12-13.
- ¹⁹ United States. General Services Administration. *Workspace Utilization And Allocation Benchmark*. July 2011. Web. Jan. 17, 2018. Pp. 23-29.
- ²⁰ *Ibid.*
- ²¹ Georgia. State Properties Commission. *Organization: About SPC*. n.d. Web. July 11, 2018.
- ²² Georgia. State Properties Commission. *Organization: Asset Management Division*. n.d. Web. July 11, 2018.
- ²³ *Ibid.*
- ²⁴ Georgia. State Properties Commission. *Organization: Space Management Division*. n.d. Web. July 11, 2018.
- ²⁵ Georgia. State Properties Commission. “Real Estate & Asset Communication Hub: Agency Training.” Presentation. June 27, 2017. Web. July 11, 2018.
- ²⁶ Tennessee. Department of General Services. *Real Estate Strategy: State Of Tennessee Real Estate Asset Management*. Feb. 2017. Pp. 6-7.
- ²⁷ Tennessee. Department of General Services. *Real Estate Strategy: State Of Tennessee Real Estate Asset Management*. Jan. 2018. P. 21.

²⁸ Ibid., P. 8.

³⁰ Mike Burnside, commissioner. Facilities and Support Services. Email to Joel Thomas, March 23, 2018.

³¹ United States. General Services Administration. *Best Practices In Real Property Management In State Government*. March 2003. Web. Feb. 13, 2017. Pp. 29-30.

³² Katherine Barrett and Richard Greene. “States Own More Property Than They Know.” *Governing*. Oct. 22, 2015. Web. April 3, 2018.

³³ North Carolina. General Assembly. Program Evaluation Division. *North Carolina Should Dispose Of Unneeded Real Property And Improve Portfolio Management To Reduce Costs*. June 22, 2015. Pp. 17-18.

³⁴ Katherine Barrett and Richard Greene. “Do You Know What You Own?” *Governing*. Jan. 1, 2007. Web. July 3, 2018.