

NORTH CAROLINA GENERAL ASSEMBLY



**SUBCOMMITTEE ON SURPLUS PROPERTY
OF THE HOUSE SELECT COMMITTEE ON
STATE OWNED ASSETS**

**REPORT TO THE
2013 REGULAR SESSION
of the
2013 GENERAL ASSEMBLY
OF NORTH CAROLINA**

DECEMBER 19, 2012

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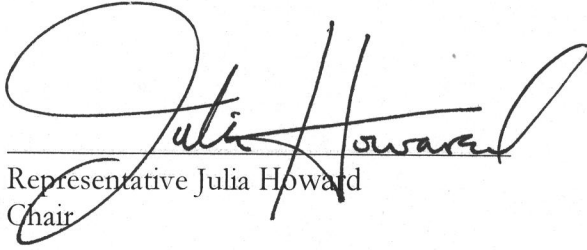
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TRANSMITTAL LETTER

December 20, 2012

The SUBCOMMITTEE ON SURPLUS PROPERTY OF THE HOUSE SELECT COMMITTEE ON STATE OWNED **ASSETS**, respectfully submits the following report.



Representative Julia Howard
Chair

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SELECT COMMITTEE ON STATE OWNED ASSETS**

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SUBCOMMITTEE PROCEEDINGS

The Surplus Property Subcommittee of the House Select Committee on State Owned Assets, met six times from July 25, 2012 until December 19, 2012.

This section of the report provides a brief summary of the Subcommittee meetings. It is not intended to be a complete, official record of those meetings. However, there is an official record of the Subcommittee's meetings, including minutes, in the Legislative Library.

July 25, 2012

Ben Stanley of Bill Drafting briefed the Subcommittee on the General Assembly's recent efforts to ascertain and more efficiently dispose of State-owned surplus property.

The 2003 budget instructed the Department of Administration (DOA) "to develop and implement a State-owned surplus real property disposal system[,]" the purpose of which was to "continuously identify State-owned surplus real property, evaluate that property, and dispose of that property as appropriate." S.L. 2003-284, Section 6.8. The General Assembly then hired CB Richard Ellis Consulting (Ellis Consulting) to evaluate the current process of surplus property sales and to propose a system of more efficient disposal. Ellis Consulting presented a report to the General Assembly on November 5, 2004 detailing a system of identifying and selling State-owned real property. The cost of this system was estimated to be \$715,000 annually, plus an unspecified initial fee for computer systems. The General Assembly chose not to implement this system.

The 2011-2012 budget instructed DOA to work with State agencies to identify surplus assets, evaluate their condition, effectuate their sale, and to examine State law to determine amendments to allow the most efficient and effective way to dispose of identified assets. S.L. 2011-145, Section 6.15. The budget assumed that sale of surplus properties would yield \$15 million in sales for the 2011-2012 fiscal year and an additional \$25 million for the 2012-2013 fiscal year. The 2012-2013 budget took into account that the \$25 million would not be met and that money was not assumed in the writing of that budget. The \$15 million had not been generated at the time of the meeting.

On March 31, 2012, DOA reported its findings pursuant to S.L. 2011-145, Section 6.15 in which it identified 30 potential surplus properties. DOA subsequently determined that 3 of those properties were surplus and listed them for sale.

Lastly, Mr. Stanley noted that pursuant to S.L. 2011-373, an agency that identifies real property as surplus will receive 25% of the proceeds of the sale of that property. The legislation expires on January 1, 2016.

Christy Agner, DOA's Legislative Liaison, and Speros Fleggas, Senior Deputy Secretary of DOA, discussed DOA's process of identification and sale of surplus property. Once an agency identifies property allocated to it as surplus, all other State agencies are notified and given an opportunity to request that the property be allocated to it for a specified purpose. If no other agency seeks to acquire the property, it is then appraised and marketed for sale by the State Property Office (SPO).

After offers are received, SPO evaluates them. If SPO accepts an offer and the offer is more than \$25,000, SPO must report to the Joint Legislative Commission on Governmental Operations (Governmental Operations). The offer is then sent to the Council of State, which has the final authority to authorize a sale.

August 22, 2012

Tim Walton, Manager from the Real Property Section of SPO, and Speros Fleggas discussed how an agency determines that a property is surplus. There is not a standard for defining surplus property that is used by all agencies. Each agency must evaluate its property in accordance with its core mission. Mr. Walton noted that creating a standard for determining surplus property might not be a viable option.

When an agency moves locations, property that is vacant is either allocated to another agency, sold, or leased. Mr. Walton stated that the maintenance of an agency's buildings is funded by the agency's budget; therefore, it is in the best interest of an agency to dispose of the property by one of those three methods.

Property designated surplus is marketed differently depending on the estimated value of the parcel. If the parcel is estimated to be of high value, the property is appraised and then advertised in local newspapers and on DOA's website. Signs are also placed on the property. If the appraised value is low, then the first step is to notify adjacent property owners that the parcel is available for sale. If those owners are not interested in purchasing the property, then SPO will publically advertise the property for sale. Mr. Walton noted that the timeframe between the appraisal and the marketing of property is short and responses to particular offers usually occur within a day.

Mr. Walton explained that the SPO database contains a complete list of all State-owned property that is routinely updated. The database does not reveal the extent to which any given property is being used, i.e. whether it is partially or totally vacant. Mr. Walton added that the speed with which particular changes are made depends on how quickly the agencies report any status changes.

Melanie Soles, Chief Deputy Secretary, and Doctor Jeffrey Crow, Deputy Secretary of Archives and History of the Department of Cultural Resources (Cultural Resources) presented on the State-owned property currently allocated to the agency. Cultural Resources currently holds 354 buildings, 5,441 acres of land, 5 building easements, and 23 land easements that further represents 2,223 acres of land. Cultural Resources' main holdings are 24 historic sites, 3 commissions, 7 history museums, and 1 art museum.

Some of these properties are composed of multiple parcels that were purchased at different times. The Council of State approves all purchases of property and property can also be acquired through donations or from groups such as the National Heritage Trust. Cultural Resources has identified 3 properties as surplus.

Mary Penny Thompson, Chief Deputy Secretary of the Department of Environment and Natural Resources (DENR) presented on DENR's real property holdings. DENR consists of 15 divisions of which real property is mostly concentrated in the natural resources divisions, including Parks and Recreation and Marine Fisheries. These properties are primarily open spaces, recreation spaces, environmental attractions, natural areas, and leased property for regulatory and regional offices. DENR is composed of 7 regional offices, all of which operate out of leased space. The departmental offices conduct a review of these leased properties every 5 years.

The regional offices alert the departmental offices of additional property needs in their region and surplus property is identified first by regional offices and then sent to the departmental offices for review. The departmental offices then notify DOA of any surplus property. Ms. Thompson noted that DENR owns the main Marine Fisheries building and Coastal Management offices in Morehead City and that the N.C. Ecosystem Enhancement Program holds real property though it is not a division.

DENR does not consider any of its current holdings to be surplus but has identified 13 properties as "underutilized." Of those 13 properties, 2 have been identified as potentially surplus and DENR is undergoing the process of designating them surplus and reporting that designation to SPO.

Doctor Benjamin J. Matthews, Ph.D., Director of School Support of the Department of Public Instruction (DPI) and Barbria Bacon, Superintendent of Education Services for the Deaf and Blind and Director of the Governor Morehead School presented on DPI's real property holdings. DPI holds 5 campuses outside of the Raleigh offices: The Eastern North Carolina School for the Deaf, The Governor Morehead School for the Blind, The Western North Carolina School for the Deaf, and the North Carolina Centers for the Advancement of Teaching in Cullowhee and Ocracoke. The 2 Centers for the Advancement of Teaching are fully utilized. The General Assembly previously instructed DPI to determine if The Eastern North Carolina School for the Deaf, The Governor Morehead School for the Blind, or The Western North Carolina School for the Deaf could be closed, but during the 2012 session, DPI was instructed to create a plan to more efficiently use the 3 schools for educational purposes. DPI notified SPO of its unused or underused property within the 3 schools. SPO then notified other agencies of the possibility to lease that space.

The Governor Morehead school is composed of 32 buildings — 8 are being leased to the Department of Health and Human Services, 4 or 5 will likely be leased to the Wake County Public School System in the future, and 13 are currently being occupied or partially occupied by DPI. The buildings leased to other entities were leased for fair market value, determined with the cooperation of DOA. The revenue generated by the

leases is being collected and used by DPI to offset budgetary cuts. Ms. Bacon noted that the Governor Morehead School for the Blind and the Eastern and Western North Carolina School for the Deaf have the combined capacity for approximately 900 students, but currently accommodate approximately 210 students.

September 18, 2012

Tim Walton and John Webb, Manager of Space Planning and Leasing at SPO, explained the State property list that DOA provided to the Subcommittee. The list included the following fields: department, division, county, complex, acres, number of buildings, and gross square footage. DOA's electronic database contains more fields than the hard copy lists provided to the Subcommittee. Mr. Walton also reported that the database includes a field for building and land vacancy, and another field that indicates whether the property has been designated as surplus. It does not currently include a field for the percentage of which each building is occupied. Mr. Walton said that this could be entered into the database. Mr. Walton told the Subcommittee that the State is currently engaged in 857 acquisition leases, totaling 5.2 million square feet of leased space that ranges from \$12.45 to \$5.40 per square foot.

Terry Hatcher from the Department of Health and Human Services (DHHS), and Mr. David Krotoszynski, Property Officer for DHHS, presented on DHHS's real property holdings. DHHS owns 16 campuses and 635 buildings or structures, totaling 7,248,789 square feet on 2,027 acres. The insurance replacement value of these properties is valued at \$1,431,049,236.

DHHS is comprised of three primary divisions. The first, Central Administration, is located on one campus, the Dorothea Dix campus in Raleigh, which contains 88 buildings, 1,169,523 square feet on an estimated 306 acres.

The second primary division is the Division of State Operated Healthcare Facilities, which is subdivided into 4 programs and contains 13 of the 16 campuses allocated to DHHS. The first subdivision comprises the Alcohol Drug Abuse Treatment Centers (ADATC) with the mission to treat chemically dependent individuals and those who have substance abuse and psychiatric diagnosis. ADATC is located on 3 campuses, the Julian F. Keith ADATC at Black Mountain, the R.J. Blackley ADATC in Butner, and the Walter B. Jones ADATC in Greenville, totaling 31 buildings on 68 acres. The second subdivision makes up the Developmental Centers with the mission to provide treatment and care for individuals with a diagnosis of profound, severe, or moderate intellectual/developmental disabilities. The Developmental Centers are located on 3 campuses, the Caswell Developmental Center in Kinston, the J. Iverson Riddle Developmental Center in Morganton, and the Murdoch Developmental Center in Butner, totaling 259 buildings on 720 acres. Mr. Hatcher noted that the high number of acreage is for treatment purposes, which involves walking and recreational space. The third subdivision comprises the Neuro-Medical Treatment Centers with the mission to provide service and support to individuals of families affected by lifelong disabilities and by Alzheimer's disease. The Neuro-Medical Treatment Centers are located on 3 campuses,

the Black Mountain Neuro-Medical Treatment Center at Black Mountain, the O'Berry Neuro-Medical Treatment Center, and the Longleaf Neuro-Medical Treatment Center in Wilson, totaling 77 buildings on 165 acres. The last subdivision contains the Psychiatric Hospitals with the mission to increase the ability of individuals with mental illness to function as independently as possible by providing quality inpatient psychiatric services. This division is located on 4 campuses, the Central Regional Hospital in Butner, the John Umstead Hospital in Butner, the Cherry Hospital in Goldsboro, and the Broughton Hospital in Morganton, totaling 197 buildings on 751 acres.

The third primary division of DHHS is the Division of Vocational Rehabilitation, which is located on 2 campuses. The Division's mission is to provide vocational counseling, vocational evaluation, employee developmental services, and skills training for individuals with disabilities. The first campus is the WorkSource East campus located in Goldsboro that is comprised of 3 buildings on 12 acres. The second campus is the WorkSource West campus located in Morganton which comprised of 2 buildings on 4 acres.

A property will be designated as surplus when it is no longer needed for the core mission of the agency and its disposal would not interfere with the mission of the agency. Before a property is designated as surplus, DHHS attempts to move from leased property onto a campus or other owned property and unneeded property is first offered as leased property to non-profit entities which support DHHS's mission. DHHS has declared 15 properties as "unused." No property was classified as underutilized at the time of the meeting. The Dorothea Dix property was classified as a "conditional" surplus property — conditional in that the DHHS employees still located in Dorothea Dix would need to find a new location for their offices before the property could be classified as surplus. All patients have been moved out of Dorothea Dix.

Mary Penny Thompson, who presented at the July meeting, provided a more comprehensive list of lands and buildings allocated to DENR. The list contained property of the Air Quality, Aquariums, Coastal Management, Marine Fisheries, Parks, Water Resources, and Zoo divisions, but did not include lakes, rivers, easements, and stewardship properties. Ms. Thompson stated that DENR has gone through a downsizing of leased properties that involve storage and offices, especially in locations where staff numbers are in fluctuation. The list of underutilized property provided at this meeting listed several more properties than that provided at the August meeting.

October 16, 2012

Anthony Roper, Deputy Secretary of the Department of Transportation (DOT) Facilities Management Division, presented on DOT's real property holdings. DOT is in possession of 6,025 acres of land with an estimated value of \$14.5 million. DOT leases an additional 626 acres of land. The Department is also in possession of 2,229 buildings, totaling an estimated 6,606,115 square feet. These properties contain DOT's divisional offices, road/bridge maintenance yards, district/resident engineer offices, truck sheds, stockpiles/material storage, ferry sites, weigh stations, rest areas/welcome centers, DMV

offices and CDL test sites, park and ride lots, communication towers, central unit offices, and land held for further development.

Land is acquired through a process with the approval of a property acquisition request by the Division Secretary which is then forwarded to SPO. The appraisal and offer of the property is then developed and negotiations follow if necessary. Upon receipt of execution option, relevant materials are presented to Governmental Operations for review and consultation and then to the Governor and Council of State for final approval.

Property is disposed of through a separate process beginning with a request to the Division's Secretary to dispose of the property which, if approved, is forwarded to SPO who then notifies all State agencies that the property is available for reallocation. If no other agency requests the property, the property is appraised, marketed, and sold by SPO. Right of ways are sold in a similar fashion but are marketed and negotiated by DOT. If parties can agree on the terms of a sale with DOT's Right of Way offices, then that agreement is forwarded to SPO for review.

DOT provided the Subcommittee with a list of 5 properties that it has determined to be potentially surplus in addition to the properties previously reported to DOA in 2011.

November 13, 2012

Discussions with staff took place regarding a bill draft. There were no agency presentations.

December 19, 2012

The Subcommittee approved the final report.

FINDINGS AND RECOMMENDATIONS

Based on information presented to the Subcommittee during its regularly scheduled meetings, the Subcommittee reports the following findings and recommendations:

1. The Subcommittee finds that the following properties are potentially surplus (unused or underutilized), but not currently listed for sale by SPO:

Agency	Property Name	Description
Dept. of Agriculture	Animal Disease Lab*	5.09 acres
Dept. of Agriculture	Piedmont Farmers' Market*	6.36 acres
Dept. of Agriculture	Livestock Show and Sale Facility	6.25 acres
Dept. of Agriculture	Fuel Calibration Station*	0.40 acres
Dept. of Correction (Dept. of Public Safety)	Anson Correctional Center*	2.93 acres
Dept. of Correction	Carteret Correctional Center*	45.48 acres
Dept. of Correction	Gates Correctional Center*	22.86 acres
Dept. of Correction	Umstead Correctional Center*	34 acres
Dept. of Correction	South Central Regional Offices*	6.91 acres
Dept. of Correction	Charlotte Correctional Center*	27.98 acres
Dept. of Correction	Moore Correctional Center*	6.93 acres; 3.51 acres
Dept. of Correction	Odom Correctional Center*	149.56 acres
Dept. of Correction	Scotland Correctional Center*	96.24 acres
Dept. of Correction	Warren Correctional Center*	34.66 acres
Dept. of Correction	Cabarrus Correctional Center*	49.46 acres
Dept. of Correction	Guilford Correctional Center*	175.83 acres
Dept. of Cultural Resources	Aycock Fire Tower	Unused metal forest fire lookout tower
Dept. of Cultural Resources	Aycock birthplace land	1.5 acres
Dept. of Cultural Resources	Harborside Property	0.19 acres
Dept. of Environment and Natural Resources	Second Creek Wetlands 122 Double Thumb Road	6.688 acres
Dept. of Environment and Natural Resources	Second Creek Wetlands 155 Double Thumb Road	3.716 acres
Dept. of Environment and Natural Resources	Cedar Island Stockpile & Harbor	21 acres
Dept. of Environment and Natural Resources	Carawan Canal Eco Research Site	14.46 acres
Dept. of Environment and Natural Resources	Fisherman's Wharf Cultch Stockpile Site, Research Station, Dock	3.71 acres
Dept. of Environment and Natural Resources	Cahoon Property Hyde County	0.52 acres

Resources		
Dept. of Environment and Natural Resources	Old Coast Guard Station	10 acres
Dept. of Environment and Natural Resources	Salter Path Beach Buffer Acquisition from the Roosevelt Family	23.1 acres
Dept. of Environment and Natural Resources	4401 Zoo Pky. Zoo Site (9 Zoo)	1363.899 acres
Dept. of Environment and Natural Resources	4401 Zoo Pky. Zoo Site (10 Zoo)	76.341 acres
Dept. of Environment and Natural Resources	Ridges Mountain Nature Preserve (11 Zoo)	136.489 acres
Dept. of Environment and Natural Resources	Ridges Mountain Nature Preserve (12 Zoo)	48.08 acres
Dept. of Environment and Natural Resources	Ridges Mountain Nature Preserve (13 Zoo)	91.6 acres
Dept. of Environment and Natural Resources	Bachelor Creek Nature Preserve (14 Zoo)	322.78 acres
Dept. of Environment and Natural Resources	Arnett Branch Longleaf Pine Forest (15 Zoo)	56.5 acres
Dept. of Environment and Natural Resources	Arnett Branch Longleaf Pine Forest (16 Zoo)	56.9 acres
Dept. of Environment and Natural Resources	Richland Creek (17 Zoo)	3.2 acres
Dept. of Environment and Natural Resources	Pisgah Covered Bridge (18 Zoo)	540 acres
Dept. of Health and Human Services	Black Mountain Center	932 Old US 70 Hwy (House)
Dept. of Health and Human Services	Broughton Hospital	220 Enola Rd. (House)
Dept. of Health and Human Services	Broughton Hospital	226 Enola Rd. (House)
Dept. of Health and Human Services	Caswell Center	103 Pecan Ln. (House)
Dept. of Health and Human Services	Caswell Center	106 Pecan Ln. (House)
Dept. of Health and Human Services	Caswell Center	107 Pecan Ln. (House)
Dept. of Health and Human Services	Caswell Center	108 Pecan Ln. (House)
Dept. of Health and Human Services	Caswell Center	110 Pecan Ln. (House)
Dept. of Health and Human Services	Caswell Center	112 Pecan Ln. (House)
Dept. of Health and Human Services	Caswell Center	114 Pecan Ln. (House)
Dept. of Health and Human Services	Caswell Center	116 Pecan Ln. (House)
Dept. of Health and Human Services	Caswell Center	Pollock Building (Office and Storage)
Dept. of Health and Human Services	Caswell Center	Wooten Building (Office and Storage)
Dept. of Health and Human Services	Cherry Hospital	1607 W Ash St. (House)
Dept. of Health and Human Services	Cherry Hospital	127 Old Smithfield

		Rd. (Former Nurses' Dormitory)
Dept. of Transportation	Tarboro Maintenance Yard*	15.01 acres
Dept. of Transportation	Bunn Maintenance Yard*	52.24 acres
Dept. of Transportation	Huntersville Maintenance Unit*	47.50 acres
Dept. of Transportation	Statesville Maintenance Yard	110.19 acres
Dept. of Transportation	Newland Maintenance Yard	102.16 acres
Dept. of Transportation	Burnsville Maintenance Yard	69.54 acres
Dept. of Transportation	Smithfield Maintenance Yard	171.18 acres
Dept. of Transportation	Old Cell Block Building (Burnsville)	5127 SF
Dept. of Transportation	Old Kitchen Storage Building (Burnsville)	3186 SF
Dept. of Transportation	Old Clothes House Storage Building (Burnsville)	1093 SF
Dept. of Transportation	Guard Tower 1 (Burnsville)	180 SF
Dept. of Transportation	Guard Tower 2 (Burnsville)	180 SF
Dept. of Transportation	Ballfield Pump House (Burnsville)	64 SF
Dept. of Transportation	Sewage Pump House (Burnsville)	108 SF
Dept. of Transportation	Ballfield Restroom Building (Burnsville)	64 SF
Dept. of Transportation	Previous Resident Engineer's Office	.37 acres
Dept. of Transportation	DMV Fayetteville	
Dept. of Transportation	DMV Greenville	
Dept. of Transportation	Hambright (Huntersville)	
Dept. of Transportation	3601 Poole Rd. Property (Raleigh)	76.62 acres
Wildlife Resources Commission	Micro Boat Access*	2.00 acres

* Signifies property that was listed on DOA's report to the General Assembly in response to S.L. 2011-145, Sec. 16.5.

2. The Subcommittee finds that when SPO is made aware of surplus property, it diligently attempts to reallocate the property or dispose of it; however, the agencies must first make SPO aware of the existence of surplus property. It appears that there are many properties that are unused or underutilized in this State, but the agencies are reluctant to identify them as surplus and turn over the property to SPO for reallocation or sale.
3. The Subcommittee finds that a requirement that each State agency evaluate its property every two years and submit a detailed report to DOA and the General Assembly would prompt more effective reporting of surplus property.

4. The Subcommittee finds that it would be appropriate for each agency to report the nature of its property on a biennial basis and be required to explain why any property that is unused or underutilized has not been deemed surplus.
5. The Subcommittee finds that if an agency files a biennial report and designates a property as unused or underutilized, that property should be deemed surplus by operation of law if that property is still unused or underutilized at the next biennial reporting. This requirement would prompt each agency to either efficiently use its property or report it as surplus.
6. The Subcommittee finds that for informational and oversight purposes, it would be beneficial for DPI to annually report to the General Assembly the amount of revenue generated through leasing space on residential campuses.
7. Based on the foregoing, the Subcommittee recommends the attached legislation.

PROPOSED LEGISLATION

**GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2013**

H

D

BILL DRAFT 2013-MDz-6 [v.13] (09/11)

**(THIS IS A DRAFT AND IS NOT READY FOR INTRODUCTION)
12/14/2012 10:06:57 AM**

Short Title: State Agency Property Use/Biennial Report. (Public)

Sponsors: Representative Howard.

Referred to:

A BILL TO BE ENTITLED

1 AN ACT TO REQUIRE STATE AGENCIES TO BIENNIALY REPORT TO THE
2 DEPARTMENT OF ADMINISTRATION AND TO THE PROGRAM EVALUATION
3 DIVISION ON THEIR USE OF REAL PROPERTY; AND TO REQUIRE THE
4 DEPARTMENT OF PUBLIC INSTRUCTION TO REPORT ANNUALLY ON THE
5 AMOUNT OF REVENUE GENERATED THROUGH LEASING SPACE ON
6 RESIDENTIAL SCHOOL CAMPUSES, AS RECOMMENDED BY THE SURPLUS
7 PROPERTY SUBCOMMITTEE OF THE HOUSE SELECT COMMITTEE ON STATE-
8 OWNED ASSETS.
9

10 The General Assembly of North Carolina enacts:

11 **SECTION 1.** Chapter 143 of the General Statutes is amended by adding a new
12 Article to read:

"Article 80.

"Reporting on State Agency Use of Real Property.

13 **"§ 143-750. Definitions.**

14 The following definitions apply in this Article:

- 15 (1) Real Property. – A parcel of land, a building, or space within a building.
16 This term does not include right-of-way property allocated to the
17 Department of Transportation.
18 (2) State Agency. – A unit of the executive or judicial branch of State
19 government, such as a department, an institution, a division, a commission, a
20 board, a council, or The University of North Carolina. The term does not
21 include a unit of local government or a public authority.
22 (3) Underutilized Property. – Real property that contains substantial space or
23 facilities that are currently not used on a regular basis by the State agency
24 that owns or leases the property or to which the property is allocated.
25 (4) Unused Property. – Real property that is vacant or that is not used for a
26 current program or purpose of the State agency. This term includes real
27 property that is designated for a particular current or future use but that is not
28 actually currently used for that program or purpose.
29

30 **"§ 143-751. Duty to analyze real property use every two years.**

1 Each State agency shall analyze each piece of real property owned by, allocated to, or
2 leased by it at least every two years in order to determine if the property is unused property or
3 underutilized property.

4 **"§ 143-752. State agencies shall biennially report on real property use.**

5 On or before September 1 of each even-numbered year, each State agency shall report to
6 the Department of Administration and to the Program Evaluation and Fiscal Research Divisions
7 of the General Assembly on its use of real property. The report shall include all of the
8 following, set forth in separate sections of the report:

- 9 (1) Summary information about the amount of real property allocated to, owned
10 by, and leased by the State agency.
- 11 (2) Detailed information about each piece of real property allocated to, owned
12 by, and leased by the State agency, including, as appropriate, all of the
13 following:
 - 14 a. The location of the property, including the latitude and longitude of
15 the center of the building or parcel of real property.
 - 16 b. The square footage or acreage of the property.
 - 17 c. The total amount paid by the State to acquire the property, including
18 any costs associated with the purchase.
 - 19 d. The nature of the State agency's interest in the property.
 - 20 e. The condition of the property.
 - 21 f. The current use of the property.
 - 22 g. An estimate of how much of the property is underutilized or a
23 statement that the property is unused, as applicable.
 - 24 h. The terms of any lease for property, including information about
25 lease renewal options.
 - 26 i. Floor plan and other spatial information about the property.
- 27 (3) Detailed information about any real property allocated to, owned by, or
28 leased by the State agency that is unused property or underutilized property,
29 without regard to whether the property has been deemed surplus as of the
30 date of the report. If property is unused property or underutilized property
31 but the State agency has not notified the Department of Administration that
32 it is surplus, this section of the report shall include an explanation of why the
33 State agency has not so notified the Department.
- 34 (4) Detailed information about any real property designated surplus pursuant to
35 G.S. 143-753.
- 36 (5) Highlights of any differences between the information contained in the
37 report and the information contained in the most recent report submitted
38 pursuant to this section.
- 39 (6) Any additional information about the State agency's real property use
40 requested by the Department of Administration or by the Program
41 Evaluation Division of the General Assembly.

42 **"§ 143-753. Automatic designation of certain unused and underutilized property as**
43 **surplus property.**

44 Any piece of real property owned by or allocated to a State agency that was designated as
45 unused property or underutilized property on the most recent report submitted pursuant to G.S.
46 143-752 and that is unused property or underutilized property on the date that the subsequent
47 report is due under that section shall automatically be designated surplus property and shall be
48 reported in the section of the report required by G.S. 143-752(4).

49 **"§ 143-754. Department of Administration shall assist State agencies.**

1 When requested to do so, the Department of Administration shall assist a State agency in its
2 efforts to comply with this Article by providing property records in the possession of the
3 Department to the requesting State agency.

4 **"§ 143-755. Department of Public Instruction shall report on revenue generated by**
5 **leasing space at residential schools.**

6 On or before February 1 of each year, the Department of Public Instruction shall report to
7 the Chairs of the House Appropriations Committee, the Chairs of the Senate
8 Appropriations/Base Budget Committee, and to the Fiscal Research Division of the General
9 Assembly the amount of revenue generated through leasing space on residential school
10 campuses during the previous year."

11 **SECTION 2.** G.S. 143C-8-4(a) reads as rewritten:

12 **"§ 143C-8-4. Agency capital improvement needs estimates.**

13 (a) Needs Estimate Required. – On or before September 1 of each even-numbered year,
14 each State agency shall submit to the Office of State Budget and Management and to the
15 Division of Fiscal Research a six-year capital improvement needs estimate and the report
16 required by G.S. 143-752. This estimate shall describe the agency's anticipated capital needs for
17 each year of the six-year planning period. Capital improvement needs estimates shall be shown
18 in two parts."

19 **SECTION 3.** This act is effective when it becomes law.

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Bill Draft 2013-MDz-6: State Agency Property Use/Biennial Report.

2011-2012 General Assembly

Committee:	Date:	October 11, 2012
Introduced by:	Prepared by:	Shelly DeAdder
Analysis of: 2013-MDz-6		Committee Counsel

SUMMARY: *This Bill would require each State agency to analyze all real property allocated to it by the Department of Administration (DOA) as well as all property owned by the agency or leased by the agency every two years. The agencies must submit a detailed report of all real property on a biennial basis. The bill would also require the Department of Public Instruction (DPI) to annually report the amount of revenue generated by leasing space on residential school campuses.*

CURRENT LAW: Subchapter 2 of Chapter 146 of the General Statutes governs acquisition of State lands. G.S. 146-22 states that "[e]very acquisition of land on behalf of the State or any State agency, whether by purchase, condemnation, lease, or rental, shall be made by the Department of Administration." G.S. 146-22.1 provides a broad list of purposes for which DOA may acquire property, such as "[l]ands necessary for the construction and operation of State buildings and other government facilities[.]" land used for historical sites, and land for parks. When a State agency determines that it needs additional real property, the agency must submit an application for acquisition with DOA. G.S. 146-22.4. DOA then investigates and negotiates purchase or lease of the property when appropriate. G.S. 146-23.2. A similar approval process is required for sale of State property when an agency determines that the property is no longer needed. G.S. 146-27, et seq.

While DOA maintains an inventory of all State owned property, there are currently no statutory provisions requiring the type of periodic reports concerning real property contemplated by this bill.

BILL ANALYSIS:

SECTION 1: Each State agency is required to analyze all real property that is allocated to the agency by DOA, owned by the agency, or leased by the agency in order to determine whether it is unused or underutilized. The definition of "real property" encompasses land, buildings, or any space within a building. The agency must state whether the property is being used in its entirety or whether the property is surplus, unused, or underutilized. A property is "underutilized" if it contains substantial space or facilities that are currently not used on a regular basis by the State agency. A property is "unused" if it is vacant or not currently used for a program purpose, even if there is a plan for future use.

On or before September of each even-numbered year (the first report being September 2014), each State agency must provide a report to DOA and the Program Evaluation Division detailing the use of all real property allocated to the agency by DOA, owned by the agency, or leased by the agency.

If the property is unused or underutilized but has not been deemed surplus, the agency must explain why the property has not been deemed surplus. If property is listed as unused or underutilized in a biennial report and is still characterized as unused or underutilized on the date the subsequent biennial report is due, then the property is automatically designated as surplus property.

To aid the agencies, DOA must, upon request by an agency, provide property records in its possession.

Department of Transportation right of way property is not subject to the reporting requirement. Local governments and public authorities are not considered public agencies under the bill and, therefore, are not required to issue reports.

On or before February of each year, DPI must report to the Chairs of the House Appropriations Committee, the Chairs of the Senate Appropriations/Base Budget Committee, and the Fiscal Research Division the revenue DPI generated from the lease of its residential school campuses during the previous year.

SECTION 2: This Section places a cross-reference to the reporting requirements added by Section 1 of the bill in the State Budget Act.

EFFECTIVE DATE: The act is effective when it becomes law.

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