

From: Priester, Nicole <NicolePriester@gov.sc.gov>
Required: Priester, NicoleNicolePriester@gov.sc.gov
Smith, AustinAustinSmith@gov.sc.gov
Godfrey, RobRobGodfrey@gov.sc.gov
Adams, ChaneyChaneyAdams@gov.sc.gov
Symmes, BrianBrianSymmes@gov.sc.gov
Pippin, ZachZachPippin@gov.sc.gov
Subject: Press Conference: Real Estate Assessment
Location: 1st Floor Lobby, Statehouse
When: 12/9/2015 2:00:00 PM - 2:30:00 PM

Attendees:

Molly Spearman
Marcia Adams
Jerry Adger
Ben Brantley – CBRE (will answer any questions on behalf of CBRE)
Martin Moore – CBRE
Ben Johnson – CBRE

Speaking Order:

- 1) NRH
- 2) Marcia Adams
- 3) Ben Brantley

Background:

- *Beginnings:* When I became Governor, the state barely knew what we owned, much less whether our buildings and real estate made good business sense.
- *2013 Executive Order:* I issued an executive order in 2013 directing state agencies to take a hard look at what the taxpayers own, how the state uses it, and how we can save money and work smarter.
- *Team effort:* This didn't happen overnight – a lot of state agencies worked hard to assess their real estate. I would especially like to thank the Department of Administration and Executive Director Marcia Adams for leading the way. She and her team worked with the real estate firm CBRE, which validated the data collected from all the agencies.
- *CRBE's process* included:
 - A search of assessor records in all 46 counties to confirm the portfolio contains:
 - 138 operation and maintenance (O&M) surveys;
 - And facility condition assessments for 150 properties (5,624,278 square feet).
- *What we own:* The state owns 2,500 parcels of land (more than a half million acres of land), and 7,800 buildings, which identified more than 81million square feet of building improvements.
- *Best practices:* We have a lot of room for improvement. Some of our buildings cost more to own than they are worth. Some are used inefficiently. Some could be repurposed to deliver more value to the taxpayer.

Three primary recommendations:

Recommendation 1

1. *Reduce the footprint.* We occupy too much square footage in leased and owned buildings. We should employ private sector methods to quickly identify and sell surplus property; stay on top of market changes and review portfolio annually; and be more flexible and creative in how we sell properties.
 - *Sell facilities* that are functionally obsolete, underutilized or those in need of significant capital investment.
 1. **The study identified 8 properties for disposition.** The estimated sale of three of those buildings—the Rutledge Building, 2221 Devine and 1800 Gervais St.—will generate **\$5.6 million in sales proceeds.**
 2. The sale of all 9 will produce **\$30.42 million in capital expense cost avoidance.**
 - *Adopt and enforce space standards* to **reduce square footage of State's primary office portfolio 18–25%.**
 1. The study identified four projects for renovation and or consolidation that if completed, are estimated to **provide a net present value savings of \$32.4 million (amortized over 30 years).**
 - *Evaluate public and private partnerships* as a source of funding for capital projects
 1. DHEC Headquarters — modernize facility to improve operational facility
 2. 900 Main Street — capitalize on higher and better use and solve capitol complex parking shortage
 3. 8500 Farrow Road — consolidate existing uses into a portion of the site and sell excess for private redevelopment
 4. SLED — build and maintain specialized facilities, including labs

Recommendation 2

2. *Centralizes real estate management* under the Department of Administration.
 - Develops expertise that benefits agencies and allows individual agencies to focus solely on their primary missions.
 - Creates better control of spending and vendor management to save money
 1. **Average operating expense of buildings managed centrally through the Department of Administration =\$7.66/SF**
 2. **Average operating expense of buildings managed by individual agencies=\$13.16/SF**
 - Centralization allows for a competitive shared services model and centralized vendor management to leverage the State's buying power
 1. **This creates the potential to save \$35.3 million annually in operating expenses across the State's portfolio**
 - Account for property management across state agencies
 1. Enables identification and benchmarking of cost savings opportunities
 2. Enables more accurate budgeting by separating real estate expenses from other agency expenses
 3. Provides a centralized tracking mechanism for identifying and making improvements
 - Centralization also allows for long-term capital expense planning
 1. Enables use of 30-year facility condition assessments to identify deferred maintenance needs across the portfolio and creates a baseline for expenditure forecasts

Recommendation 3

3. *Set lease rates* based on real costs to operate buildings. The internal state lease rate must be matched to ongoing actual operating/maintenance expenses, deferred maintenance and capital
4. costs.