



COMMONWEALTH of VIRGINIA

Department of General Services

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MEMORANDUM

TO: The Honorable Timothy M. Kaine, Governor
The Honorable Charles J. Colgan, Chairman, Senate Finance Committee
The Honorable Lacey E. Putney, Chairman, House Appropriations
Committee
Members of the Virginia General Assembly

THROUGH: The Honorable Viola O. Baskerville, Secretary of Administration

FROM: Richard F. Sliwoski, P.E., Director *Richard F. Sliwoski*

SUBJECT: Progress Report of Real Estate Services,
As Required by Virginia Code § 2.2-1131.1

Virginia Code § 2.2-1131.1 (copy attached) requires an annual report on progress of DGS' efforts to establish performance standards for the acquisition, lease and disposition of real property and for the management and utilization of such property at the individual agency and statewide levels to maximize the use of the Commonwealth's inventory of properties. Specifically the section provides:

§ 2.2-1131.1. Establishment of performance standards for the use of property.

A. The Department shall establish performance standards for the acquisition, lease and disposition of property and for the management and utilization of such property at the individual agency and statewide levels to maximize the use of property for which it is held. For the purposes of this section "property" means the same as that term is defined in § 2.2-1147.

B. The head of each state agency or institution shall ensure that property assets held by the agency on behalf of the Commonwealth are managed in accordance with the standards set by the Department. State public institutions of higher education that have delegated authority to manage aspects of their real property usage and have signed a

memorandum of understanding with the Secretary of Administration related to such delegated authority shall be deemed in compliance with the standards set by the Department as long as they abide by the terms of the memorandum of understanding. Standards established in accordance with the memorandum of understanding shall be reported to the Department by October 1 of each year.

C. The Department may take appropriate actions, including assuring compliance with the standards set by the Department and entering into leasing arrangements or other contracts, to ensure that asset usage by each state agency is proper and cost effective.

D. No later than November 30 of each year, the Department shall report to the Governor and the General Assembly on the implementation and effectiveness of this program.

Following is the report for the year ending November 30, 2009:

ACTIVITIES

- During the period, the Division of Real Estate Services (DRES) handled approximately 326 separate transactions, including leases, amendments, options, purchases, sales, easements and transfers. Also, in addition to the customary transactions, DRES handled several lease terminations necessitated by non-appropriation of funds.
- **Cost savings and avoidance:** During the year, cost savings have amounted to \$28.2 million with another \$15.9 million in cost avoidance for a total savings of \$44.1 million. Savings attributable to leases will be realized over the entire lease terms.
- **Surplus Real Estate:** Performance of surplus property sales has been significantly affected by the weak economy.

During 2009, DRES sold one property for total income of \$213,000. We also negotiated the exchange of land with the City of Staunton for construction of a new Western State Hospital. The transaction netted \$15 million plus the exchanged land. The \$15 million will be available when the new hospital reaches 80% completion.

One property is under contract with a total projected income of \$12,052,660. The Commonwealth currently holds non-refundable deposits of \$500,000, and another \$500,000 is expected before re-zoning is approved and construction is able to move forward. We expect closing late in 2011.

We are currently marketing four properties to the public with values of \$2,239,000. Six properties valued at \$1,843,000 have been offered to the respective localities.

- **Space Standards:** We have continued to adjust space standards to ensure agencies have optimum space for their programs. In 2009 we adjusted the figure to 198 square feet per person from the previously published target of 205 square feet.
- **Lease Administration:** In January of 2008, DRES began taking over administration of leases that were previously administered by the various agencies. As of November, 2009, we have assumed responsibility for administering 471 leases for 38 agencies. The leases have a combined gross rental of over \$51.5 million. This process change has permitted the comprehensive review of lease payments identifying and correcting numerous errors which during the past year have amounted to \$296,233.15, of which \$167,256.80 accrued to the state.
- **Policies and Procedures:** In July of 2009, DRES issued revised guidelines for placement of cell towers on state-owned property as well as revisions to leasing guidelines. We are currently working on revising guidelines governing disposal of real property and revising fee acquisition guidelines.
- **Strategic planning:** DRES has worked with the 16 most active agencies to develop real estate strategic plans. These plans focus on facility needs and provide significant detail in terms of anticipated staffing, location requirements, required facility attributes, and expected duration. The plans will help agencies focus on their needs proactively, and they will provide critical information to DRES that enables development of more strategic solutions.

CONCLUSION:

Additional savings can be realized through maintaining the current course along with developing new strategies. We have recently demonstrated in the Richmond market that the ability to buy or build rather than lease, when market conditions are favorable, is an important cost saving tool. Although we intend to aggressively pursue perfecting the current strategies, we hope in the future we will be able to add the ability to buy or build when the market so indicates.