

FISCAL YEAR 2009 ANNUAL REPORT



STATE PROPERTIES COMMISSION

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COMMISSION MEMBERS

GOVERNOR SONNY PERDUE

Chairman

GREG GRIFFIN

State Accounting Officer

Vice-chairman

KAREN HANDEL

Secretary of State

Board Secretary

W. DANIEL EBERSOLE

Director, Office of Treasury and Fiscal Services

Board Member

KENT ALEXANDER

Citizen Member appointed by Governor

JAMES B. TALLEY, JR

Citizen Member appointed by Speaker of the House

DR. GEORGE SNELLING, III

Citizen Member appointed by Lieutenant Governor

STEVE STANCIL

State Property Officer

ROD BOWLDEN

Deputy Executive Director

INTRODUCTION

The State Properties Commission provides services in the area of information, property acquisition and disposition, and leasing to state entities.

The Commission is responsible for the acquisition and disposition of all state-owned real property and all real property interests. The SPC provides leasing assistance to State entities in both state-owned or commercial-owned facilities. This service includes identification of lease opportunities, space programming and design, floor plans, lease negotiations with landlords and lease renewals and renegotiations.

Services consist of real property inventory information for all of the state's facilities and property, owned and leased. This compilation of 1,800 leases, 15,000 buildings and 1.1 million acres is readily accessible on the Buildings, Land and Lease Inventory of Property (BLLIP) database at www.realpropertiesgeorgia.org. Users are able to query by a number of factors, including location, state entity, square footage and use. Individual deeds and plats can also be downloaded and printed for easy reference.

VISION, MISSION & VALUES

VISION

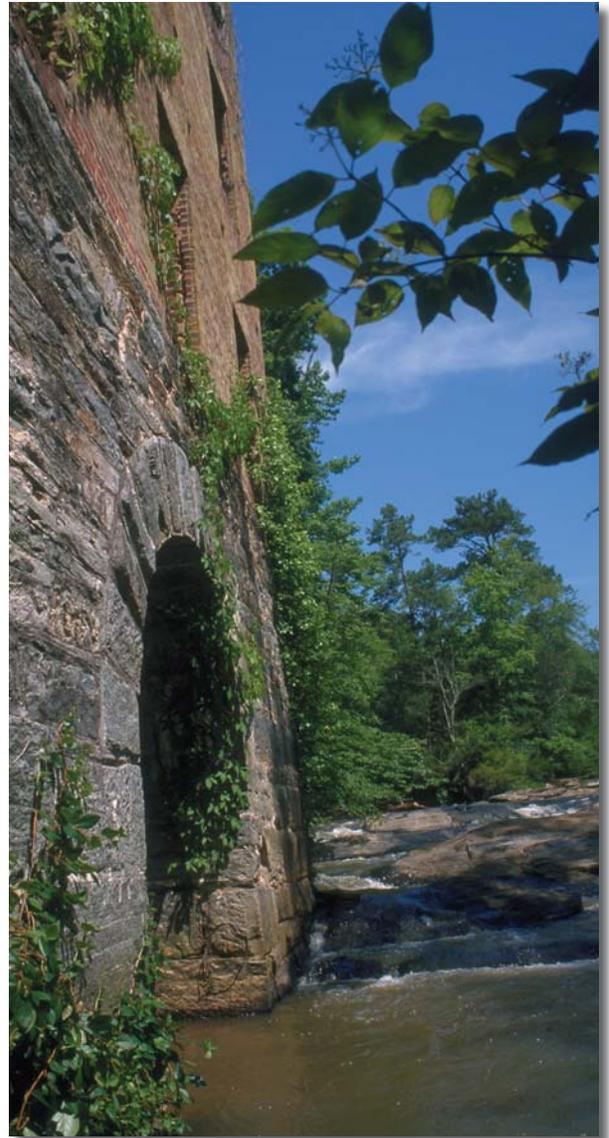
To be the leader in real estate portfolio management.

MISSION

To maximize the value and use of Georgia's real estate portfolio.

CORE VALUES

- Stewardship
- Accountability
- Integrity
- Leadership



YEAR-IN-REVIEW

During Fiscal Year 2009, the State Properties Commission continued the development and implementation of its strategic plan. The two agency priorities identified in the plan are to ensure cost effective real estate portfolio management and to provide professional and responsive customer service.

The agency employed several strategies to effectively manage the state's real estate portfolio, including developing a property disposal list, working toward legislation that will allow the state to enter into multi-year leases, and developing a plan to advertise state space needs.

REAL PROPERTY TRANSACTIONS

Under the direction of the State Property Officer and based upon the recommendations from the Commission for a New Georgia, SPC was tasked with liquidating \$30 million in State properties over three years. SPC disposed of over \$15 million of such state assets in Fiscal Years 2007 and 2008. The distressed financial and real estate markets experienced in FY 2009 have greatly affected the disposition of real estate assets. Several sales were advertised; however, bids either did not meet the appraised values for the property or fell short of the anticipated sales.

In FY 2009, SPC disposed of one piece of property. Dispositions since April 2008 for FY2009:

- Georgia Forestry Commission former district office on 0.5 acre in Terrell County sold for \$47,500 .

Dispositions anticipated for FY2010:

- Ivan Allen Boulevard extension at Georgia World Congress Center – approximately \$6.5 million
- Athens Farmers Market – approximately \$650,000.

In 27 individual transactions during FY 2009, the SPC approved the acquisition of 10,642 acres in fee simple easements, and 10,438 acres in conservation easements. The total value of these acquisitions was \$46,522,135 and the total purchase price was \$35,311,240, saving the state approximately \$11,210,894. The fee simple acquisitions included a critical out-parcel in the operating footprint of the Georgia Ports Authority in Savannah; the third phase (1,767 acres) of an 8,400 acre longleaf pine, red-cockaded woodpecker habitat in Decatur County; and 7,180 acres in Long and McIntosh counties protecting over 10 miles on the Altamaha River and at least 17 federally or state endangered, threatened or "of-concern" species, including the eastern indigo snake, swallow-tailed kite and Florida manatee.

The state also acquired conservation easements for the consideration of \$1 to \$10 which included the protection and preservation of acreage containing historic sites, wildlife flora and fauna, federally endangered species and frontage on scenic rivers and creeks.

LEGISLATIVE ACTION

Two resolutions passed during the 2008 Session of the Georgia General Assembly.

Senate Resolution 294 authorizes the State of Georgia, acting through the State Properties Commission, to convey certain State owned properties in 17 counties around the State.

House Resolution 279 authorizes the State of Georgia, acting through the State Properties Commission, to grant non-exclusive easements for 13 State-owned properties in seven counties.

STATE CONSERVATION EASEMENT

In FY 2009, the SPC, with assistance from the Attorney General's office, the Department of Natural Resources (DNR) and the Georgia Forestry Commission (GFC), revised the state's conservation easement agreement. Georgia's first conservation easement form was created in 1999 for the DNR's protective easement on the Altamaha

The revised conservation easement agreement is both user friendly and meets the goals of protection of the conservation easement program.

River. Since that time the Georgia Land Conservation Council was created, and conservation easements now originate with the GFC and the Georgia Soil and Water Conservation Commission as well.

The revised conservation easement agreement is both user friendly and meets the goals of protection of the conservation easement program. It will be used by all agencies issuing easements.

Below are some of the key changes reflected in the new Conservation Easement document:

- The Grantor must execute a forest management or agricultural management plan prior to any timber thinning, prescribed burning or selective agricultural land use of the conservation land.
- The Grantor must ensure any and all licensees or licensees on the conservation land comply with the terms of the conservation easement.
- The “Proceeds” section was revised to clarify that: a) the conservation easement is a property interest vested with the Grantee; b) Grantor must provide a letter, along with an appraisal, to the Grantee that identifies the conservation easement’s value which has been converted into a percentage interest; and c) if the conservation easement is extinguished, Grantee shall be entitled to proceeds from a subsequent sale of the conservation land that is at least equal to the percentage interest retained by Grantee.

BUILD-TO-SUIT GUIDE

The intent of the Build-to-Suit Guide is to lay out four potential methods of obtaining new space for State agencies beyond the traditional capital outlay process. These four methods — all of which entail a form of partnering with the private sector — are generally referred to as:

- The Landlord Lease Approach
- The Developer Build-to-Suit Approach
- The Public Entity Build-to-Suit Approach without Developer Involvement
- The Public Entity Build-to-Suit Approach with a Developer Partner

In FY 2009, the SPC worked with the Department of Human Resources (DHR) in locating leased space in Treutlen County. Due to the lack of commercial property available for lease, SPC employed the Build-to-Suit guide to administer and procure a space in Treutlen County. This was a joint effort among Treutlen County, DHR, SPC and Georgia State Financing and Investment Commission in which the “Developer Build-to-Suit Approach” was used to administer bids and select a developer to construct a building on county property. GSFIC continues to work with SPC and DHR as construction begins on the site in FY 2010.

FY 2009 LEASE HIGHLIGHTS

In anticipation of continued budget restraints, SPC issued a request to landlords statewide asking for voluntary reductions in rent for FY 2010. Landlords were asked at their discretion whether to reduce their monthly rents or

to forgo upcoming scheduled rent escalations. The initiative proved successful as a significant number of landlords responded indicating a willingness to reduce their State of Georgia rents. As a result state agencies will save nearly \$400,000 collectively on lease payments for FY 2010.

SPC assisted the Department of Natural Resources, Environmental Protection Division (EPD), in the relocation of its water laboratory. The facility’s location in mid-town Atlanta was no longer feasible due to the landlord’s plans to redevelop the area. After months of negotiations with prospective landlords as well as an extensive build-out, in April 2009 the EPD relocated the lab to a 50,470-square-foot facility in Gwinnett County at an initial base rental rate of approximately \$29 per square foot. The lease term is 20 years with two five-year options and annual rent increases. The highly technical nature of this facility demanded great attention to detail in addressing the lease language and design and build-out phases as well as making timing on delivery and occupancy crucial.

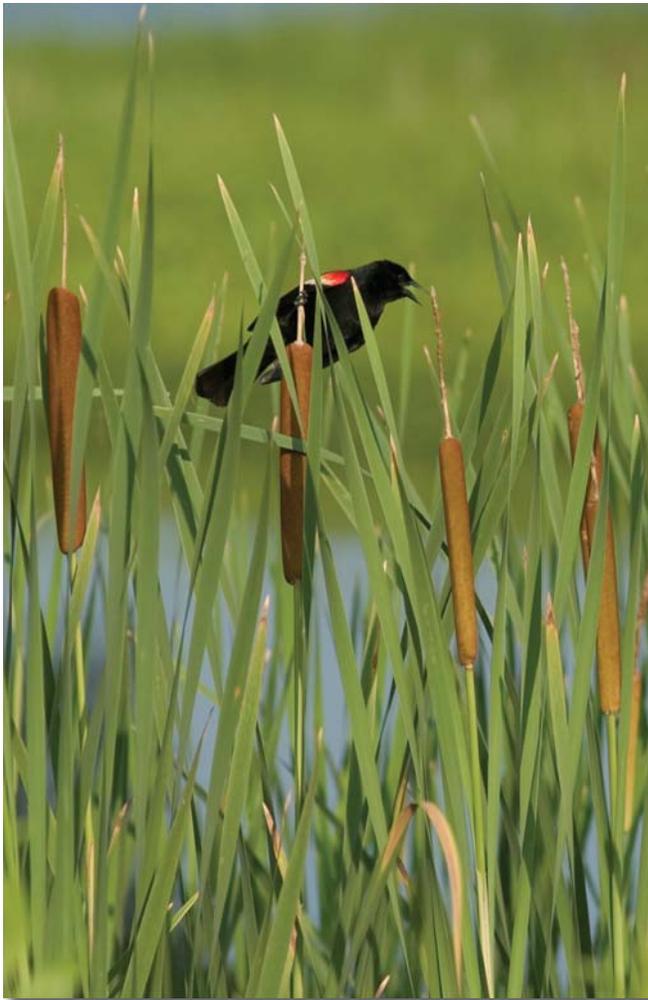
SPC facilitated a lease between the Georgia Building Authority (GBA) and Central Atlanta Progress at GBA’s 25 Peachtree Street facility. CAP initially occupies just over 6,000 square feet on the ground floor of the Olympia Building where it houses the Ambassador Force. Long term plans are for CAP to lease an additional 20,000 square feet and relocate its headquarters in the historic building. The state has owned the building since 1994 and had limited tenants and resources for capital investment to make the building tenant worthy. SPC was able to work with CAP in negotiating a long term deal to allow capital improvements on the building, which has led to LEED Silver Certification of the space.



CUSTOMER SERVICE

Improving customer service continues to be a top priority for the State Properties Commission and is an integral part of its strategic plan. Important elements of the customer service plan include:

- **Monthly Agency Meetings** - The SPC Transaction Management team convened monthly meetings with the lease coordinators from the Department of Human Resources, the Department of Corrections and the Department of Juvenile Justice. These three agencies hold the largest number of leases in the state and require particular attention from SPC. The purpose of these meetings is to streamline communications, resolve any challenges and to promote the services of SPC. This approach to customer service has been beneficial and has had the additional advantage of providing suggestions toward improved lease procedures in the future. These meetings will continue in FY 2010

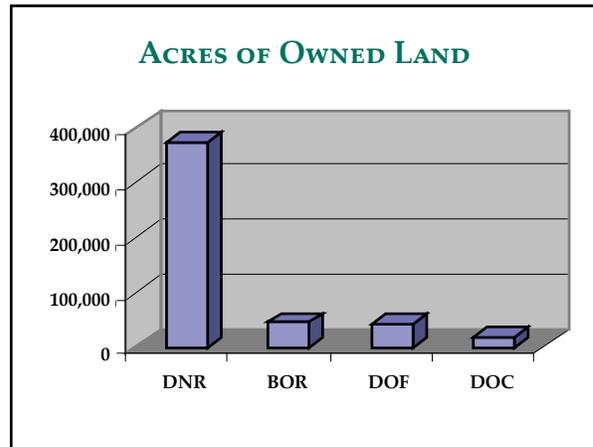
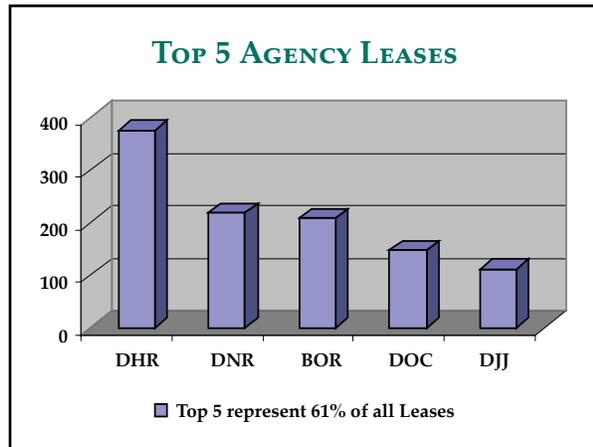


SPC rolled out the Art of Exceptional Customer Service Training that increased communication and friendlier service to all of our customers.

- **External Agency Survey** - SPC will send out a survey to all of the agencies served by SPC during FY 2009. The Commission will seek feedback in such areas as timeliness, clear understanding of our processes, communications and the manner in which services were provided. This information will be used to improve areas where the responses indicate deficiencies, to develop better methods to provide information and services and to develop appropriate training opportunities for the SPC staff.
- **How's My Service** - The Commission encourages input from customers by requesting them to log on to the "How's my Service" website. Customers can provide both positive and negative feedback, which is reviewed by SPC staff. The Building, Land and Lease Inventory of Property (BLIIP) incident tracking program monitors progress and measures service delivery times of the application. BLIIP allows both the public and agencies to identify buildings, land and leases managed by the state.
- **Partnerships** - SPC has aligned the agency's goals with the overall Customer Service Initiative "Service in Action" by partnering with various real estate experts to develop new leasing processes and efficiencies. SPC has made changes to the BLIIP application to allow for easier navigation at the state and public levels. SPC also rolled out the Art of Exceptional Customer Service Training that increased communication and friendlier service to all of our customers.

FINANCIAL REPORT

The State Properties Commission is charged with the responsibility of managing certain State of Georgia properties along with obtaining authorization from the General Assembly for conveyances. SPC leased state owned property and received lease payments in the amount of \$8,247,408 and sale proceeds in the amount of \$50,500 for Fiscal Year 2009. These funds were deposited into the State Treasury.



FY 2009 BUDGET

EXPENSES

Personal Services	\$ 1,124,782
Regular Operating Expenses	
Motor Vehicle Expenses	1,389
Supplies and Materials	3,918
Repairs and Maintenance	1,524
Insurance and Bonding	215
Equipment	4,105
Rentals Other Than Real Estate	4,547
Freight, Express and Storage	11,833
Other Operating Expenses	15,074
Employee Travel	1,924
Total Regular Operating Expenses	44,528
Other Operating Expenses	
Computer Charges	531
Real Estate Rentals	102,669
Telecommunications	8,960
Contractual Services	169,339
Total Other Operating Expenses	281,499
TOTAL EXPENSES	\$ 1,450,810

STRATEGIC INITIATIVES

MULTI-YEAR LEASES

With the support of both the Governor and the Attorney General, the State Properties Commission will continue to encourage passage of a constitutional amendment to permit the state to enter into multi-year leases. Georgia currently expends significant financial resources and time to deploy, manage and maintain its \$257 million lease portfolio. The state can unlock substantial value by adopting leading industry practices and allow multi-year terms for leases rather than annual leases. This legislation will enable Georgia to realize the following benefits:

- Increase the state's leverage by securing significantly lower rental rates and more favorable tenant improvements
- Develop comparative analyses for site selection and recommendations
- Provide real transparency and accountability into the service delivery process
- Gain access to market-driven transaction management and lease administration services, including the potential to retain commissions

LEASE ADMINISTRATION SYSTEM

Since the conclusion of the Real Property Transformation Phase II effort, SPC has recognized the need for lease administration software to manage the growing number of leases for state agencies. While the Building, Land and Lease Inventory of Property (BLIIP) application ensures accurate accounting of lease agreement details, it does not provide the business process needs for the size of the portfolio. SPC will examine and review the numerous off-the-shelf software packages currently available for real estate transaction management and make a recommendation in FY 2010 if the budget allows.

LEASING PROPERTY INFORMATION FORM

SPC developed an online, web-based process for meeting state agencies' space requests statewide. In the past, SPC would receive a request from an agency and then seek to identify potential locations – by getting in touch with current landlords or by visiting specific communities. Beginning in FY 2010, SPC will use its online Property Information Form to solicit detailed space offers from area landlords. These offers will be compiled and reviewed by the leasing specialist and the agency representative. SPC and the agency representative will visit the site to determine if the location meets the agency needs. SPC envisions greater transparency in the lease transaction process, improved customer service with both the agency and the landlord and increased cost efficiency in state lease expenditures.

The screenshot shows a web browser window titled "SPC Lease Request Tracking - Add PIF - Microsoft Internet Explorer". The page displays the Georgia State Properties Commission logo and the title "Property Information Form". Below the header, there are three buttons: "SAVE", "SAVE & ADD ANOTHER", and "CANCEL".

The form is divided into two main sections: "LEASE INFORMATION" and "LANDLORD INFORMATION".

LEASE INFORMATION

LEASE NUMBER	7752	DATE POSTED	09-10-2009 10:40 AM
REQUESTING AGENCY	Human Services, Department of	CLOSING DATE	09-30-2009 12:00 AM
CITY	Milledgeville	LEASING SPECIALIST	Doe, Jane
COUNTY	Baldwin	PHONE	(555) 555-5555
STATUS	Open	E-MAIL	jdoe@gspc.ga.gov

LANDLORD INFORMATION

If you have property that meets the need for this lease request, SPC invites you to submit your offer for consideration. Please begin this process by selecting your company or landlord name from the list below. Then complete the remaining sections of the form by providing all required information about your property. If your company is not listed, please choose "Add a New Landlord" from the drop down list to complete the registration form.

* **COMPANY / LANDLORD NAME**

Landlord information can be UPDATED by calling the SPC office at 404-656-2355.

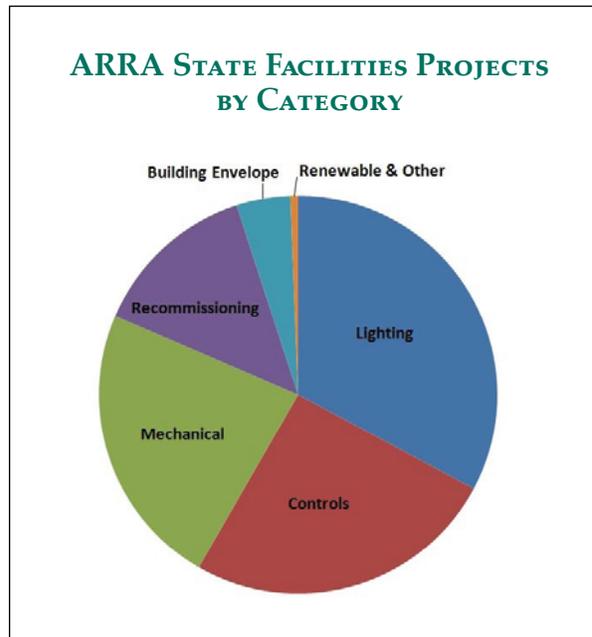
At the bottom of the form, there are three buttons: "SAVE", "SAVE & ADD ANOTHER", and "CANCEL". A red asterisk indicates that the "COMPANY / LANDLORD NAME" field is required.

SALE/LEASEBACK OF TRADEPORT BUILDING

SPC recently completed its first Portfolio Plan for the Georgia Building Authority. Included in this plan was a recommendation to dispose of non-core assets. The Tradeport Building was identified as one of these non-core assets. Considering the down-turn in the real estate market, GBA determined that a sale/lease-back arrangement would be the most advantageous approach for disposing of this property since the incentive for potential buyers would be an occupied building. Working with the Georgia State Financing and Investment Commission and the Georgia Building Authority, SPC solicited consulting and real estate services to develop a marketing plan for this property. Services were retained in late FY 2009 and the sale should be completed in FY 2010.

ENERGY STIMULUS

SPC developed an online application for state agencies relating to the American Recovery and Reinvestment Act (ARRA) funding for energy projects. The application detailed the submission requirements for proposed state agency renewable energy and energy efficient technology projects for the Georgia Environmental Facilities Authority (GEFA). Funding for these projects has been allocated to Georgia Environmental Facilities Authority from the U.S. Department of Energy State Energy Program Formula Grants. A working group was created to assist GEFA in developing the best plan for the state to meet the criteria of ARRA. Participants included the State Property Officer, Board of Regents and the Governor's Office of Planning and Budget. This committee established the online application created by SPC and developed project priorities for Georgia which promote economic recovery through the creation of jobs, energy conservation and reduction of greenhouse gas emissions. The grants were slated for selection in early FY 2010.



ARRA APPLICATION FOR STIMULUS FUNDS

Energy Stimulus Application | AGENCY | UNIVERSITIES | USERS | PROJECTS | ECM

Projects | Add Project

SAVE | SAVE & ADD ANOTHER | CANCEL

Application for State Agency Stimulus Funds Projects
 Georgia Environmental Facilities Authority
 State Property Officer
 Board of Regents
 Office of Planning & Budget

Project Information

* PROJECT NAME

Please provide the following details for the individual within your agency who will be responsible for this project.

If you are responsible for this project, check the box below to auto populate your information.

INSTITUTION/CAMPUS NAME

* FIRST NAME * LAST NAME

* TITLE * PHONE ext.

* E-MAIL

After completing the fields above, choose the "SAVE" button below to provide information about your project.

SAVE | SAVE & ADD ANOTHER | CANCEL

* required fields

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