



FISCAL YEAR 2013 ANNUAL REPORT



STATE PROPERTIES COMMISSION

TABLE OF CONTENTS

INTRODUCTION 2

PORTFOLIO MANAGEMENT..... 2

ASSET MANAGEMENT 3

SPACE MANAGEMENT 7

TRANSACTION MANAGEMENT 9

ORGANIZATIONAL CHART 15

VISION, MISSION & VALUES

VISION

To be the national leader in State real estate portfolio management by exemplifying stewardship, accountability and integrity.

MISSION

To advise, guide and maximize Georgia’s real estate portfolio by applying industry best practices in asset, space and transaction management.

CORE VALUES

- Stewardship
- Accountability
- Integrity
- Leadership

STEVEN L. STANCIL
State Property Officer

FRANK SMITH
Deputy Executive Director

COMMISSION MEMBERS

GOVERNOR NATHAN DEAL
Chairman

ALAN SKELTON
State Accounting Officer
Vice-Chairman

BRIAN P. KEMP
Secretary of State
Board Secretary

STEVE MCCOY
State Treasurer
Board Member

PHIL CARLOCK
Citizen Member appointed by
Governor

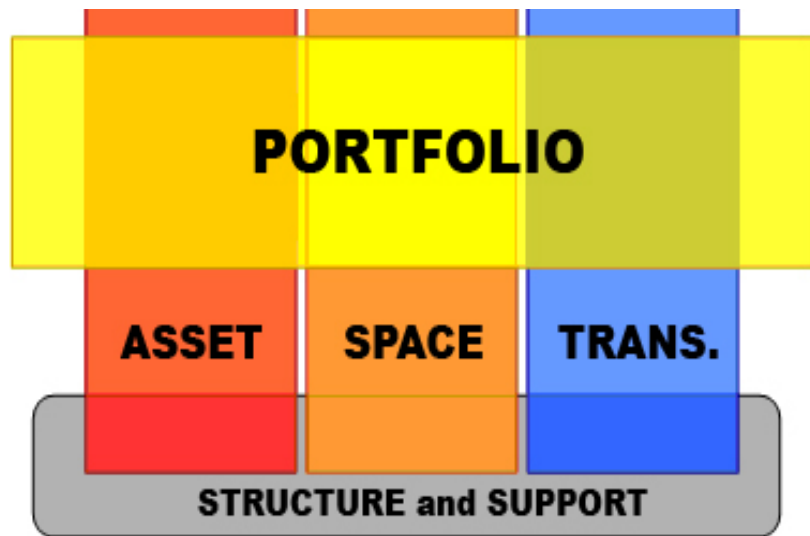
MIKE NIXON
Citizen Member appointed by
Speaker of the House

DR. GEORGE SNELLING, III
Citizen Member appointed by
Lieutenant Governor

MAXIMIZING THE VALUE AND USE OF GEORGIA'S REAL ESTATE PORTFOLIO

With the creation of the position of State Property Officer and the enactment of legislation realigning the management of the State's capital assets in 2005, the State Properties Commission (SPC) was designated as Georgia's real estate portfolio manager. SPC is responsible for the acquisition and disposition of all State-owned real property and real property interests. Additionally, SPC provides a full array of leasing services to State entities in commercially leased space. SPC also is equipped to conduct studies, research and evaluations and to provide statewide policy leadership and coordinate master planning to guide and implement capital asset management.

From the review of State Facility Strategic Plans, maximizing the value of the State's assets, increasing the utilization and efficiency of workplace environments and lease and land transactions, SPC's primary focus is to provide accountability in its



stewardship of the State's assets for the taxpayers of Georgia. By creating enterprise-wide leadership and advice for real estate transactions, asset and space management, SPC is a unified and fully integrated real estate portfolio management office that is being recognized as a model in the public sector.

PORTFOLIO MANAGEMENT

SPC, as the State's Portfolio Manager, develops overall real estate strategies and advises OPB on capital budget expenditures. It is comprised of three distinct but coordinated programs:

- **Asset Management** is the strategic function that manages the State's real estate assets to provide the maximum value to the State.
- **Space Management** makes best use of State-owned and leased space by promoting and tracking utilization through standardized space planning to create efficient work environments.
- **Transaction Management** provides for all tasks related to acquiring and disposing of real estate assets, owned or leased, and managing all activities required to lease property for State entities in commercially owned space.

LEGISLATIVE AGENDA

Several pieces of legislation were introduced during the 2013 Session of the General Assembly on behalf of the State Properties Commission.

House Resolution 205 (Act No. 313) authorized the State of Georgia, acting through the State Properties Commission, to convey certain State-owned properties around the State. Senate Resolution 113 (Act No. 310) authorized the State of Georgia, acting through the State Properties Commission, to grant non-exclusive easements for State-owned properties in various counties.

Additionally, the Constitutional Amendment (SR 84) to authorize the State and the Board of Regents to enter into Multi-Year Leases, passed by the General Assembly during the 2012 Session, was placed on the November 2012 ballot and ratified by the voters. The benefits of multi-year leases include the enhanced interest and

increased pool of landlords leading to greater competition and lower rents, resulting in overall cost avoidance for the State; enables the State to negotiate potential rent abatements and tenant improvements with less upfront costs; and allows the State to adopt industry best practices which will provide access to private sector expertise in real estate portfolio management.

HB 495 was introduced as a proposal to amend the State’s current disposition process, which is both

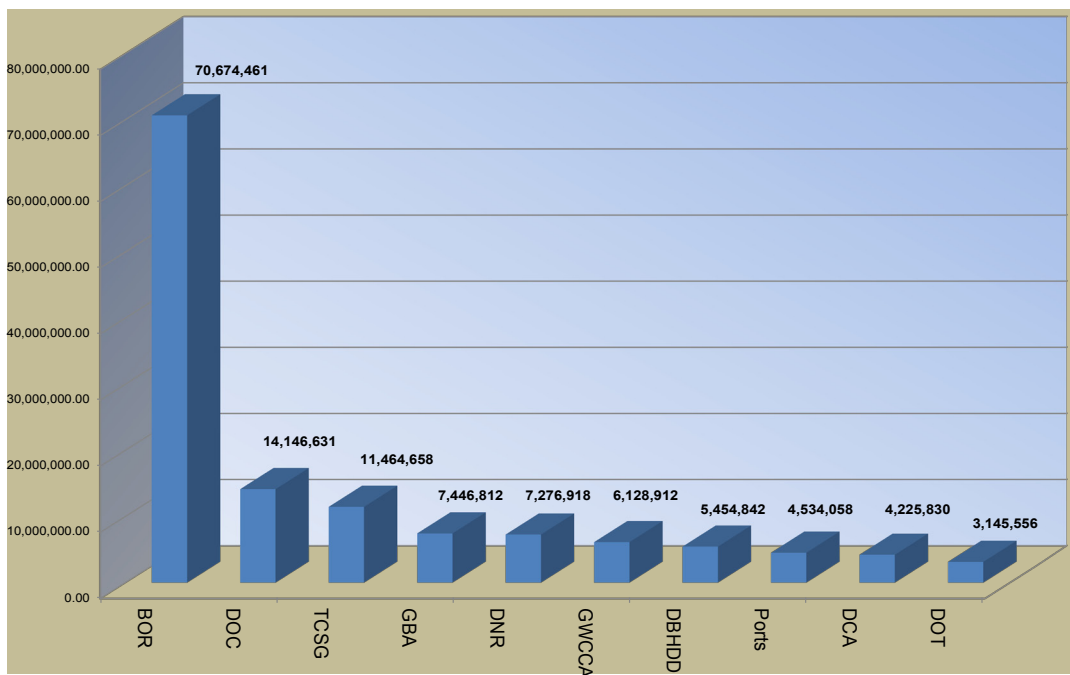
lengthy and inefficient. Benefits of a new conveyance process include reduced maintenance and operations costs while the property is vacant; property reinstated on local and county tax digests; earnings received earlier by the State Treasury to generate increased interest income; and best and final offers to allow for higher sales prices. Discussions on this legislation will continue during the 2014 Legislative Session.

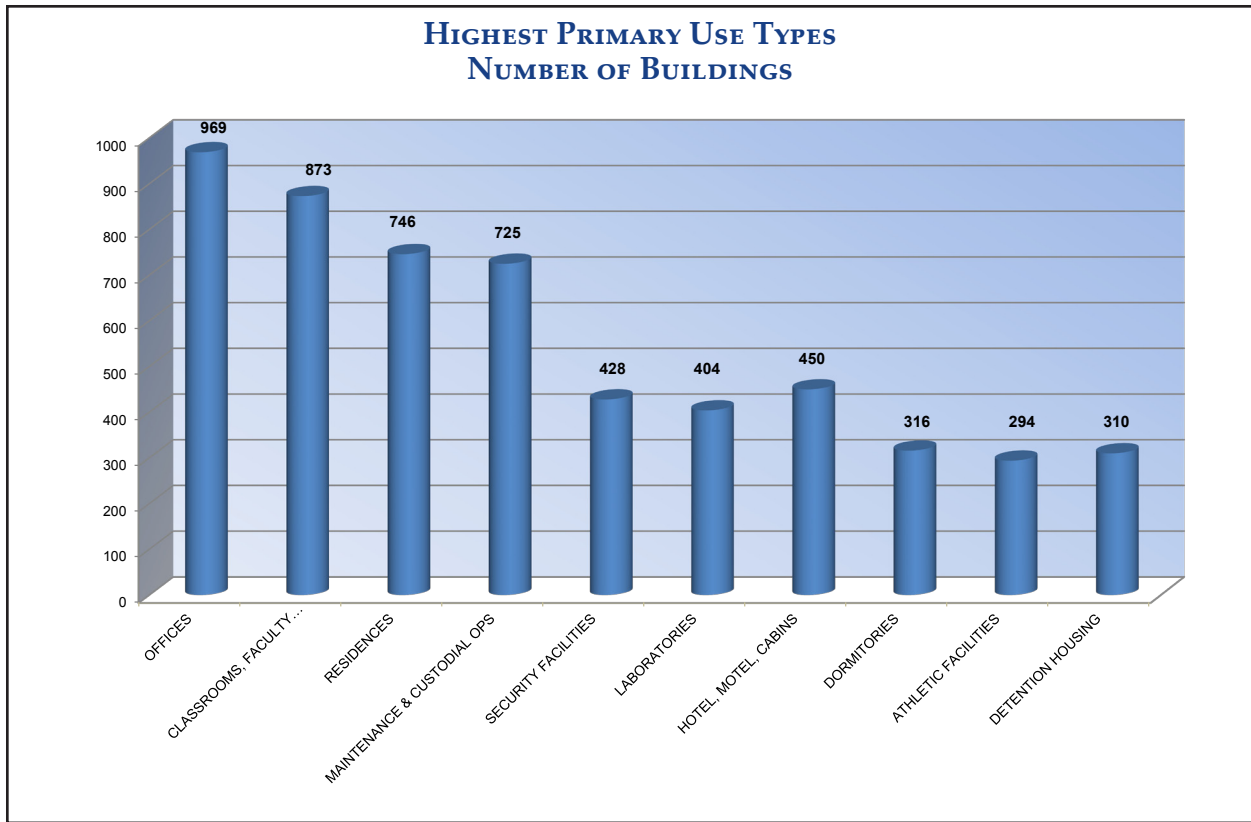
ASSET MANAGEMENT

The Asset Management Program has the responsibility to evaluate the value or interest of State-owned and leased real property assets and to provide recommendation that increase its value to the State or the market value to the commercial sector. Within this charge are five specific work processes that are the direct charge of Asset Management:

- **Core and Non-Core** (establishing core and non-core designation for each major asset in the portfolio)
- **Total Cost of Occupancy** (a framework for making better real estate decisions and measuring costs for asset performance)
- **Asset Evaluation** (the analysis of a particular asset to provide a basis for making portfolio-level decisions around acquiring, disposing or renovating assets to determine highest and best use)
- **Asset Prioritization** (identification of properties within the portfolio to determine those which have the highest importance for surplus, investment or change in order to continually balance the mix of assets to maximize value to the State)
- **Surplus Property** (establish and implement portfolio-level disposition goals to achieve the best combination of cost and utility)

AGENCIES WITH MOST SQUARE FOOTAGE

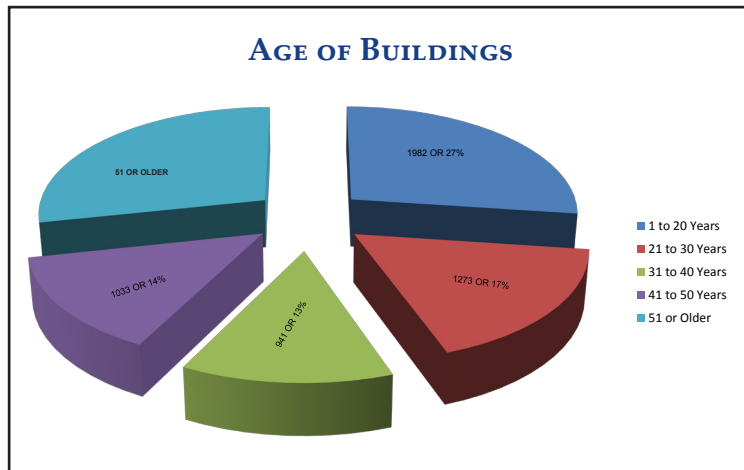




During FY13, the focus for Asset Management (AM) was on the analysis of existing asset data and documenting and measuring process timelines. With the objective of improving accuracy and completion of data in the BLLIP Building database, AM created monthly reports that were sent to those agencies needing to complete required critical field information in the BLLIP system. These reports resulted in increased agency cooperation with data input that is used by the public, government officials and agency decision-makers and is critical to DOAS Risk Management Program for all State-insured assets. Toward that end, the BLLIP Building data is at 86% completion.

Another area of concentration involved the documentation of SPC Standard Operating Procedures for Space and Transaction Management – Leasing Division. The SOPs are internal documents that establish processes and timelines in all areas of SPC real estate portfolio management. AM took these processes and established time-frames for service delivery – both on the part of SPC and also on the part of the requesting agency. By measuring itself according to the metrics identified, SPC’s goal is to improve service delivery, both in accuracy and in

time, to its agency customers. In adhering to our Core Values of stewardship, accountability, integrity and leadership, this initiative highlighting accountability and integrity will provide agencies with the confidence that we are indeed striving to provide best practices in the real estate support of agencies’ business operations. SPC will begin to document its processes metrics during the year and to roll-out these expectations to the agencies to achieve maximum performance and timeliness in service delivery.



NUMBER OF LEASES AND BUILDINGS BY COUNTY

COUNTY	LEASES	BUILDINGS
Appling	8	34
Atkinson	4	6
Bacon	4	17
Baker	4	3
Baldwin	27	558
Banks	2	10
Barrow	9	151
Bartow	18	180
Ben Hill	5	34
Berrien	6	30
Bibb	39	272
Bleckley	10	67
Brantley	4	16
Brooks	4	6
Bryan	12	56
Bulloch	30	159
Burke	9	66
Butts	6	151
Calhoun	1	32
Camden	9	81
Candler	2	13
Carroll	25	139
Catoosa	6	17
Charlton	7	61
Chatham	52	446
Chattahoochee	3	6
Chattooga	3	109
Cherokee	16	16
Clarke	57	683
Clay	8	61
Clayton	25	122
Clinch	4	38
Cobb	41	127
Coffee	17	118
Colquitt	13	57
Columbia	12	130
Columbus	0	0
Cook	4	37
Coweta	15	46
Crawford	2	12
Crisp	11	154

COUNTY	LEASES	BUILDINGS
Dade	6	74
Dawson	3	100
DeKalb	68	353
Decatur	11	92
Dodge	11	102
Dooly	3	46
Dougherty	32	115
Douglas	11	70
Early	6	61
Echols	2	6
Effingham	9	12
Elbert	10	155
Emanuel	15	115
Evans	5	38
Fannin	14	13
Fayette	8	3
Floyd	21	202
Forsyth	8	30
Franklin	7	185
Fulton	212	401
Gilmer	10	21
Glascok	3	5
Glynn	26	224
Gordon	12	79
Grady	6	14
Greene	10	16
Gwinnett	39	96
Habersham	8	107
Hall	32	150
Hancock	3	48
Haralson	5	29
Harris	4	175
Hart	11	54
Heard	3	4
Henry	17	13
Houston	20	114
Irwin	1	18
Jackson	3	18
Jasper	4	70
Jeff Davis	6	24
Jefferson	9	20

NUMBER OF LEASES AND BUILDINGS BY COUNTY (CONTINUED)

COUNTY	LEASES	BUILDINGS
Jenkins	5	64
Johnson	3	42
Jones	6	32
Lamar	5	47
Lanier	4	22
Laurens	17	74
Lee	6	54
Liberty	13	24
Lincoln	8	76
Long	3	27
Lowndes	33	229
Lumpkin	19	107
Macon	3	62
Madison	4	28
Marion	1	5
McDuffie	9	58
McIntosh	7	257
Meriwether	8	140
Miller	2	10
Mitchell	13	53
Monroe	16	181
Montgomery	1	50
Morgan	9	191
Murray	11	113
Muscogee	46	207
Newton	9	75
Not Georgia	19	40
Oconee	12	61
Oglethorpe	4	52
Paulding	12	49
Peach	10	115
Pickens	5	16
Pierce	4	12
Pike	5	36
Polk	9	30
Pulaski	2	54
Putnam	11	253
Quitman	4	3
Rabun	7	98
Randolph	4	12

COUNTY	LEASES	BUILDINGS
Richmond	27	369
Rockdale	10	55
Schley	2	5
Screven	12	18
Seminole	5	62
Spalding	10	149
Stephens	11	28
Stewart	2	74
Sumter	13	149
Talbot	3	27
Taliaferro	1	98
Tattnall	11	402
Taylor	2	23
Telfair	6	57
Terrell	5	20
Thomas	15	85
Tift	20	335
Toombs	9	68
Towns	4	62
Treutlen	3	23
Troup	14	58
Turner	3	22
Twiggs	4	10
Union	12	130
Upson	13	68
Walker	13	88
Walton	8	37
Ware	22	223
Warren	3	6
Washington	12	141
Wayne	13	68
Webster	4	5
Wheeler	1	120
White	7	205
Whitfield	20	64
Wilcox	2	43
Wilkes	8	31
Wilkinson	3	10
Worth	5	8

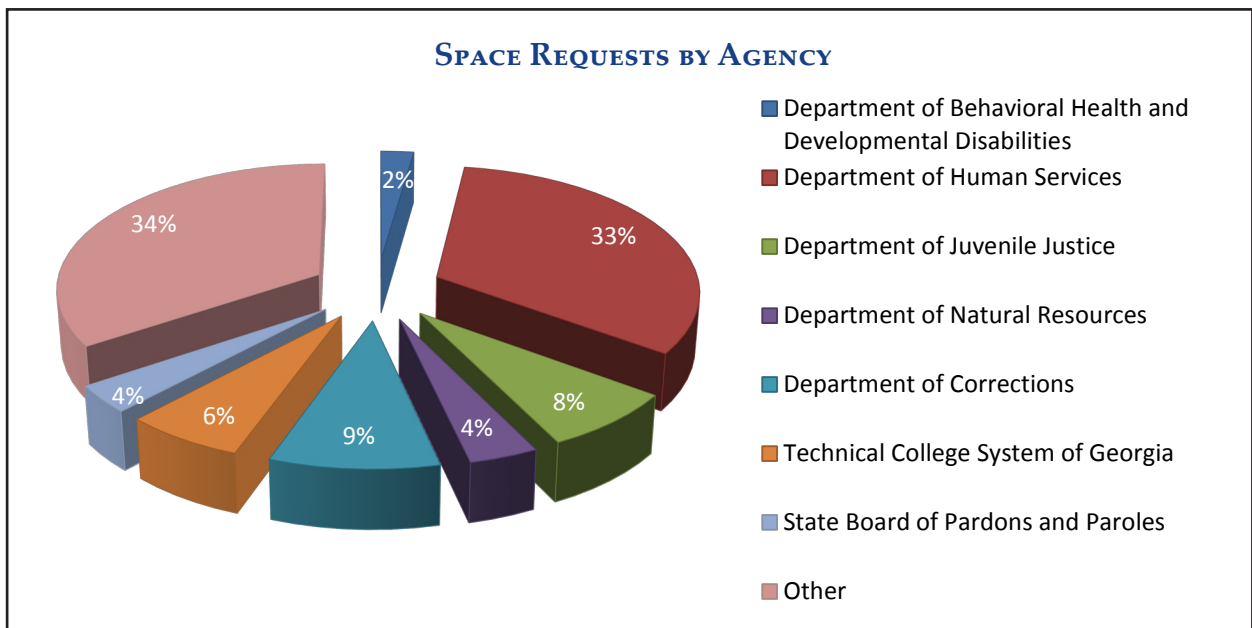
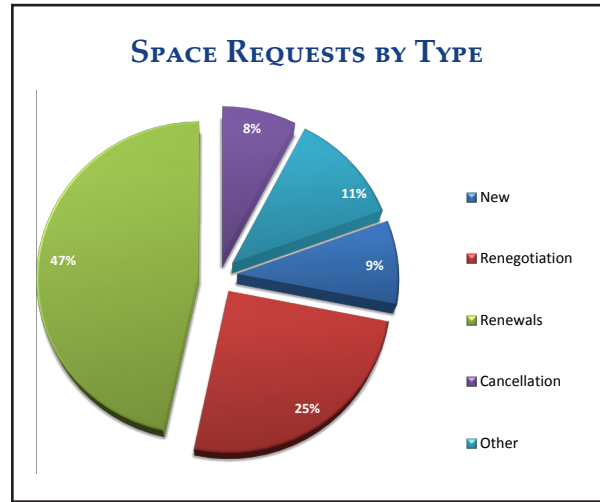
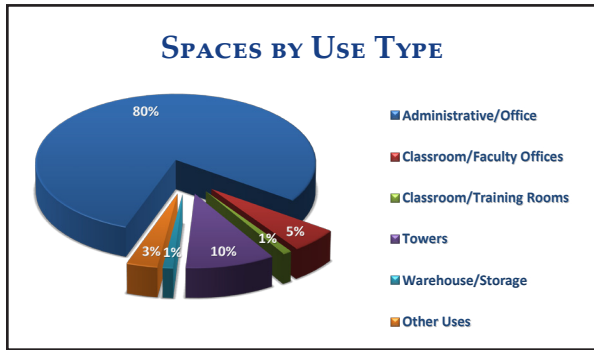
SPACE MANAGEMENT

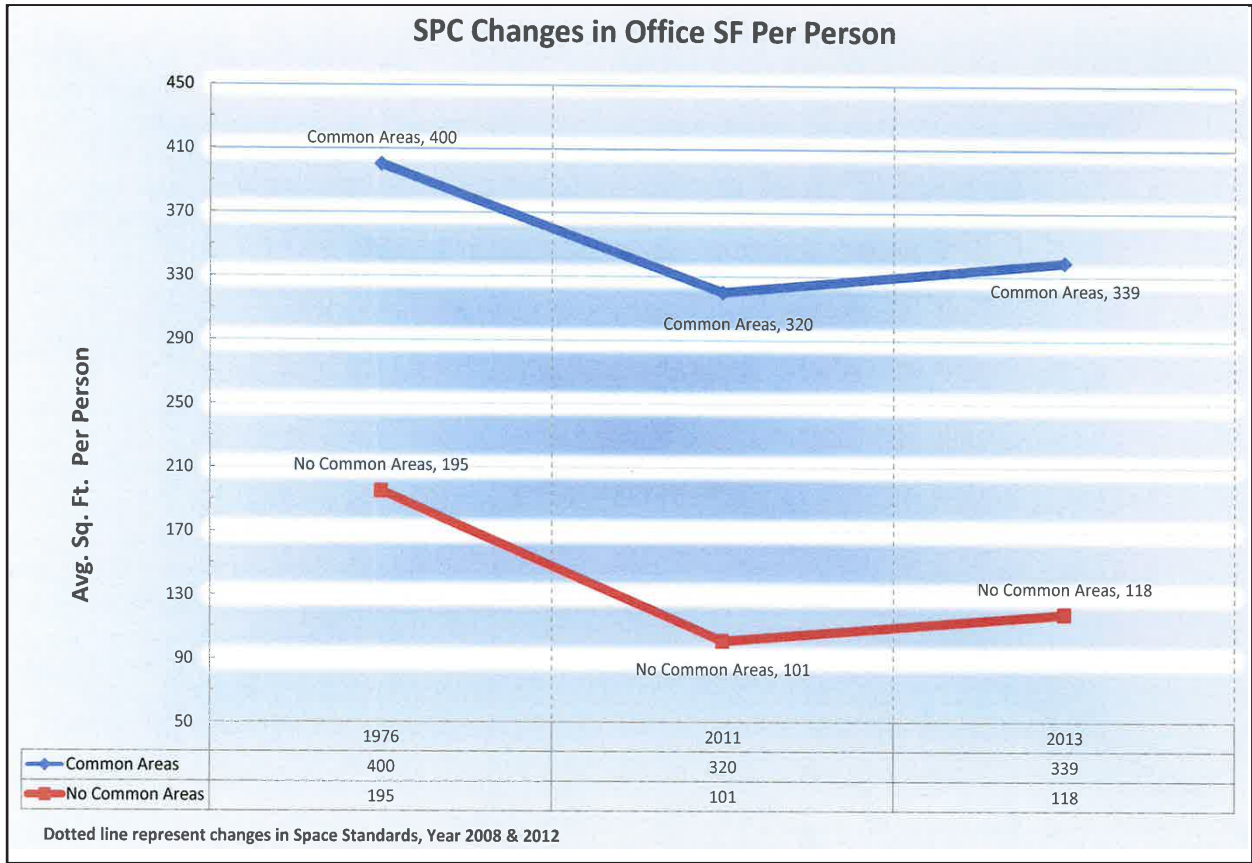
The Space Management Program offers a full range of professional planning services to State entities in meeting their space needs. These services include receiving all requests for space, developing space utilization programs to determine square footage requirements and preparing schematic floor plans and design intent drawings to guide workspace layout and construction.

The overall goal of Space Management is to maximize the utilization of State-owned and leased space to create efficient work environments using industry standards and public sector criteria to accomplish the following objectives:

- Increase occupancy
- Decrease vacancy
- Improve the value of State-owned and leased space
- Provide the most cost efficient works space for State entities

During FY'13, Space Management (SM) processed 1,410 Space Action Forms, used by any State agency requesting some action relative to workspace needs: new space, renewal, renegotiation, expansion or cancellation. The majority of these requests were related to administrative office space. With regard to the requests for new space, SM reviewed Space Utilization Questionnaires and developed Space Utilization Programs (based on SPC approved Space Standards) to provide guidance for the actual square footage requirements for the requesting agencies. Additionally, SM either developed and/or reviewed schematic floor plans and design intent drawings for the space requests.





With the revision of the State Space Standards in 2012, SM has continued to see great improvement in the utilization of space by State agencies. With a continuing emphasis on function over hierarchy, spaces costs have been reduced and benefits have been recognized in shared space for teleworking and field employees as well as in improved work environments for collaboration, team rooms and huddle areas for employees.

SPC has reduced the number of office category spaces from nine (9) in 1976 to five (5) in 2012 and established an equal balance of closed and open work spaces. This streamlining of workspace resulted in a decrease of square feet per employee from 195 to 118 (17% decrease). When the space is analyzed to include common areas (receptions areas, conference and training rooms, restrooms, etc.), the overall decrease in space per employee becomes 400 to 339 (12% decrease). This smaller reduction in space per employee is due to the fact that common areas (reception areas, conference and training rooms, and specialized space for programmatic functions) account for a large percentage of space in our field offices that are focused on client-based services in their business operations. While this achievement in space reduction is recognized as an overall improvement, SM

will continue to identify measurements and best practices to improve utilization and reduce overall square footage while maintaining required agency business processes.

Space Management works with the Georgia Building Authority (GBA) to provide tenants to fill vacant space in the GBA managed buildings on Capitol Hill. During FY13, SPC assisted State agencies in relocating from commercially leased space to GBA owned space – and GBA experienced a 96% occupancy rate in their administrative office space.

“...SPC Space Management staff has been a tremendous resource and has provided outstanding service to the Department of Juvenile Justice in its project to update and complete the State of Georgia’s consolidated database of real property assets, aka BLLIP. Additionally, the Land Division has been instrumental and extremely helpful in assisting DJJ with land transfers, property resolutions and dispositions. We always get great service and enjoy working with SPC.”

TRANSACTION MANAGEMENT

LEASING DIVISION

The Leasing Division provides management and oversight for the State's leased property portfolio. Services offered range from locating and procuring

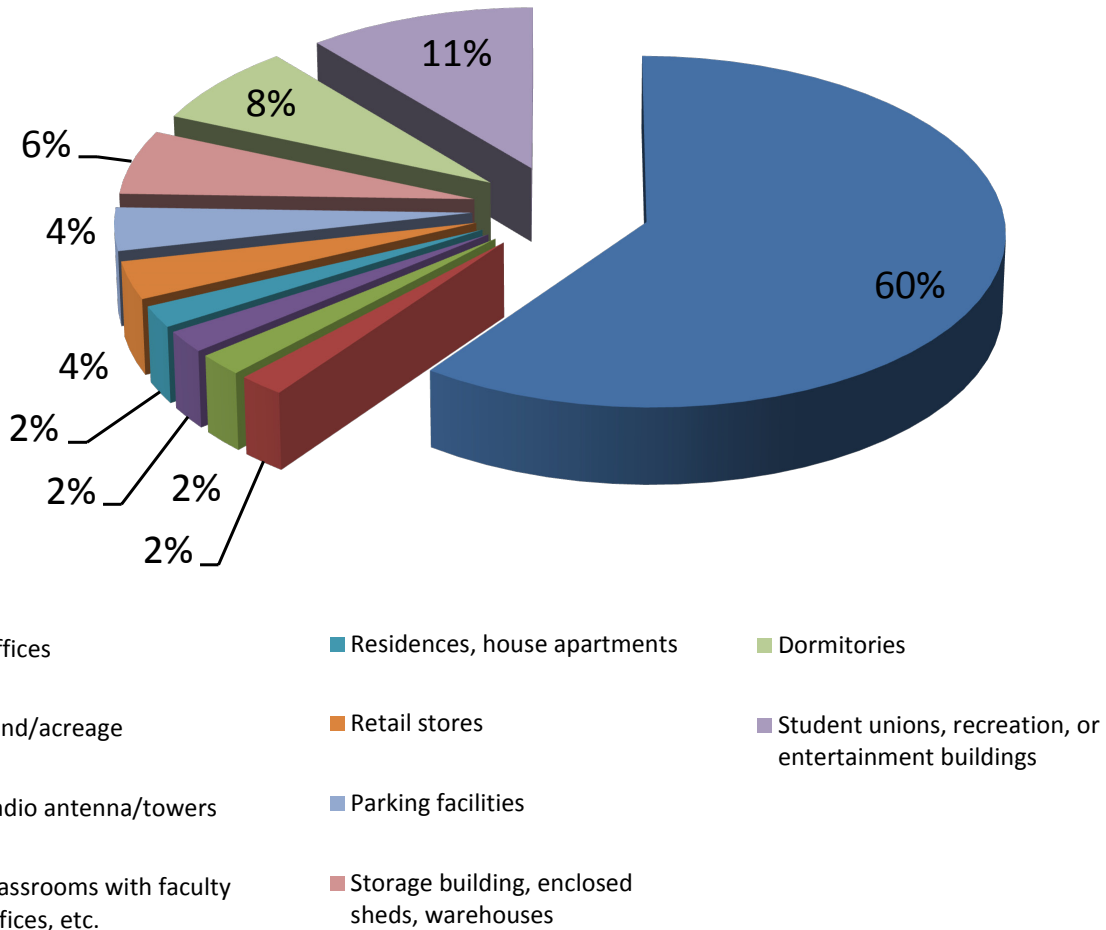
new lease locations to renewing or renegotiating existing agreements as well as managing the State's lease inventory. The Division's responsibilities and functions include leasing assistance to State entities in both State-owned or commercially-owned facilities, site selection and tenant improvements, lease negotiation renewals and renegotiations and lease executions.

SPC maintains an inventory of 1,935 lease agreements of which 1,209 are managed by SPC and 726 are Agency managed leases.

During the 2013 Session of the General Assembly, the exemption of the Department of Labor (DOL) from SPC authority for real estate management was removed. SPC began meeting with agency representatives from DOL to provide information and leasing expertise in the area of transaction management for the agency's needs.

Total number of SPC Administered Leases	1,209
Number of "New" Leases FY13	122
Number of "Terminated" Leases FY13	88
Number of "Renewed/Auto-renewal" Leases FY13	603
Number of "Renegotiated" Leases FY13	375
Number of "Other" Leases FY13	23
Total number of Agency Managed Leases	726

LEASE PORTFOLIO - 10 HIGHEST USE TYPES



FY 2013 LEASE PORTFOLIO

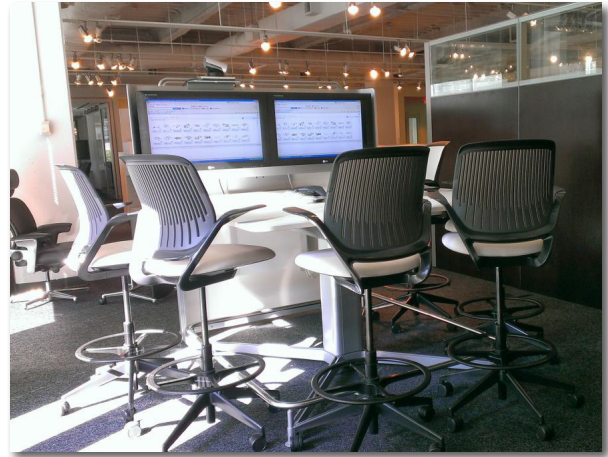
ENTITY	NUMBER OF AGREEMENTS	ANNUAL BASE RENT	PERCENT OF TOTAL RENT
State Board of Regents	348	\$318,860,034.84	72.481%
Department of Human Services	432	\$48,907,559.00	11.117%
Department of Revenue	15	\$8,565,351.53	1.947%
Department of Labor	47	\$7,972,888.60	1.812%
Department of Corrections	118	\$8,186,936.00	1.861%
Department of Natural Resources	251	\$5,124,145.00	1.165%
Technical College System of Georgia	75	\$5,809,768.65	1.321%
Department of Administrative Services	21	\$3,034,350.00	0.690%
Department of Juvenile Justice	108	\$5,300,227.13	1.205%
Department of Transportation	3	\$4,517,554.00	1.027%
Department of Public Health	23	\$1,679,904.00	0.382%
Department of Community Affairs	21	\$3,180,759.24	0.723%
Department of Community Health	2	\$97,180.04	0.022%
Department of Driver Services	59	\$2,467,378.56	0.561%
Georgia Lottery Corporation	12	\$2,273,158.08	0.517%
Judicial Branch of Georgia	12	\$397,710.00	0.090%
Georgia Military College	12	\$2,011,885.50	0.457%
Department of Education	5	\$1,960,316.76	0.446%
Office of Secretary of State	5	\$1,669,120.00	0.379%
Department of Behavioral Health & Developmental Disabilities	24	\$868,382.00	0.197%
State Board of Workers' Compensation	7	\$1,563,823.80	0.355%
Department of Audits & Accouts	8	\$286,760.00	0.065%
Department of Agriculture	2	\$10,020.00	0.002%
Georgia Department of Economic Development	6	\$1,031,700.86	0.235%
State Board of Pardons & Paroles	13	\$417,534.00	0.095%
Department of Insurance	1	\$12,000.00	0.003%
Department of Public Safety	100	\$874,705.30	0.199%
Georgia Bureau of Investigation	17	\$490,558.64	0.112%
Georgia Public Defender Standards Council	9	\$476,060.08	0.108%
Department of Defense	16	\$430,804.70	0.098%
Department of Banking & Finance	5	\$421,499.16	0.096%
State Road & Tollway Authority	1	\$362,464.24	0.082%
Department of Veterans Service	44	\$97,925.00	0.022%
Subsequent Injury Trust Fund	1	\$209,133.96	0.048%
GA Superior Court Clerks' Cooperative Authority	2	\$159,134.52	0.036%
State Soil & Water Conservation Committee	6	\$112,834.80	0.026%
Georgia Forestry Commission	27	\$35,598.49	0.008%
Georgia Student Finance Commission	1	\$31,891.92	0.007%
Sheriffs' Retirement Fund of Georgia	1	\$16,200.00	0.004%
TOTALS	1,935	\$463,358,574.37	100.00%

MULTI-YEAR LEASE (MYL) PROCESS

With the ratification of the Constitutional Amendment in November 2012 to authorize SPC to enter into Multi-Year Leases (MYL), SPC and the Georgia State Financing and Investment Commission (GSFIC) developed and implemented Board approved policies to guide and ensure the proper management of the State debt. SPC established criteria for requests for new leased space and renegotiations to begin the MYL process and by law, all leases will be signed by the Executive Director of SPC. Each proposal for a new MYL is advertised on the SPC website through a Request for Proposal (RFP) procurement process. While no MYLs were signed during FY2013, GSFIC set a total contract limit of \$125 million for FY2014.

Through a comprehensive RFP process that received national attention, SPC selected Cassidy Turley, a commercial real estate services firm, to provide an array of corporate services including transaction management, project management, lease administration and portfolio consulting for Georgia's portfolio of leased and owned space. SPC began evaluating strategic options including consolidation and disposition of space in earlier projects and will continue using Cassidy Turley's market expertise in these areas.

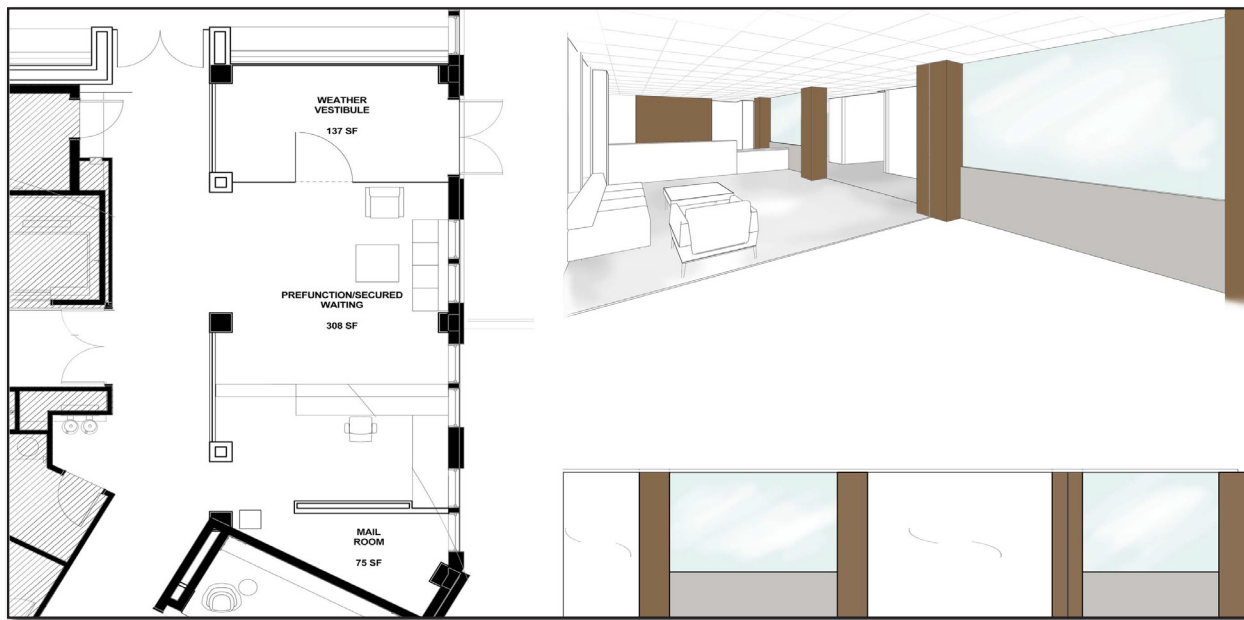
As part of this engagement, SPC selected Virtual Premise as the lease administration software to provide greater efficiency and more in-depth financial analyses of its leased portfolio. Implementation of Virtual Premise will be completed in early FY14.



SPC is required by statute to provide an annual leasing report to the Governor, Lieutenant Governor, Speaker and other members of the General Assembly. This report will contain a summary of all MYLs entered into during the previous fiscal year as well as detailed financial information regarding the State's obligations.

MARKET RATES

SPC worked with Cassidy Turley to identify lease market rates in a number of cities around the State and to compare those rates with SPC-managed lease rates. This tool is used to ascertain those leases which may need additional scrutiny for future lease renegotiations. Toward that end, SPC Leasing Division pinpointed six (6) leases to review in the upcoming lease season.



Reception Area Study

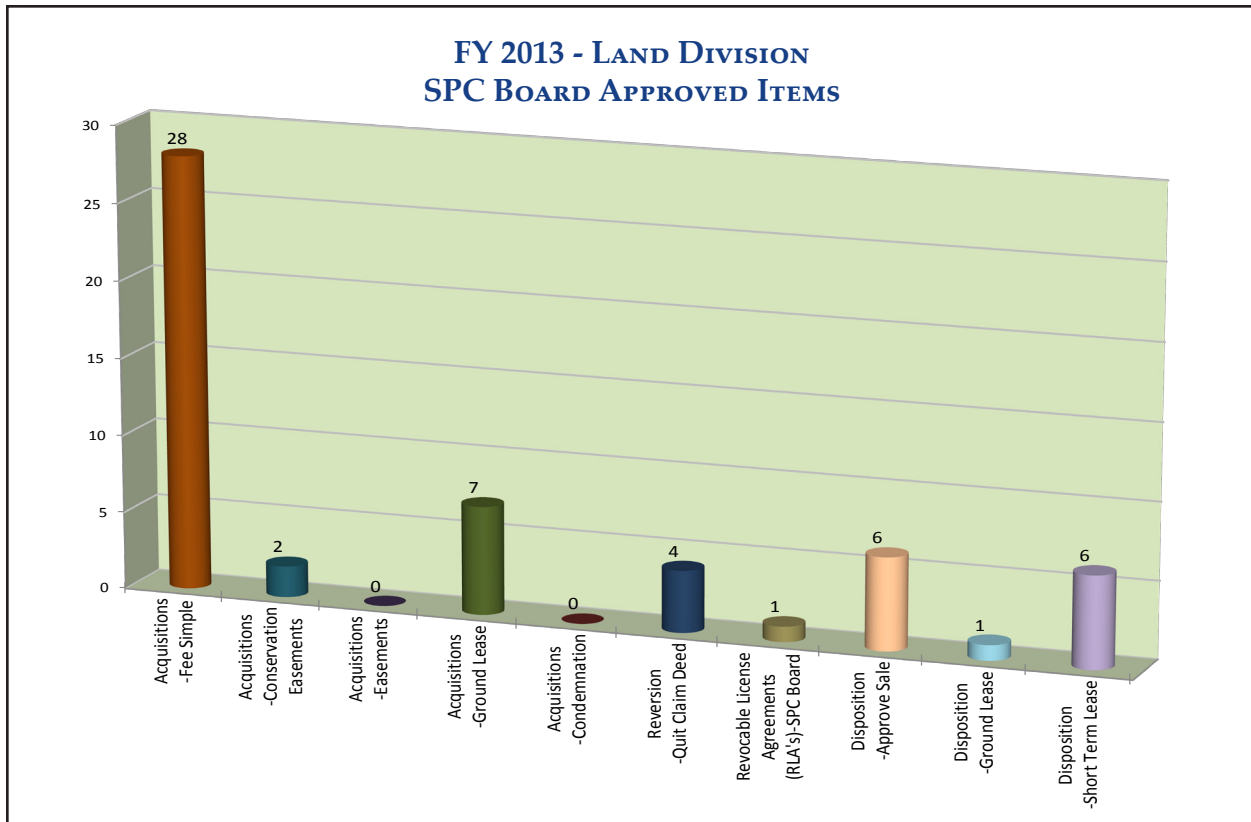
LAND DIVISION

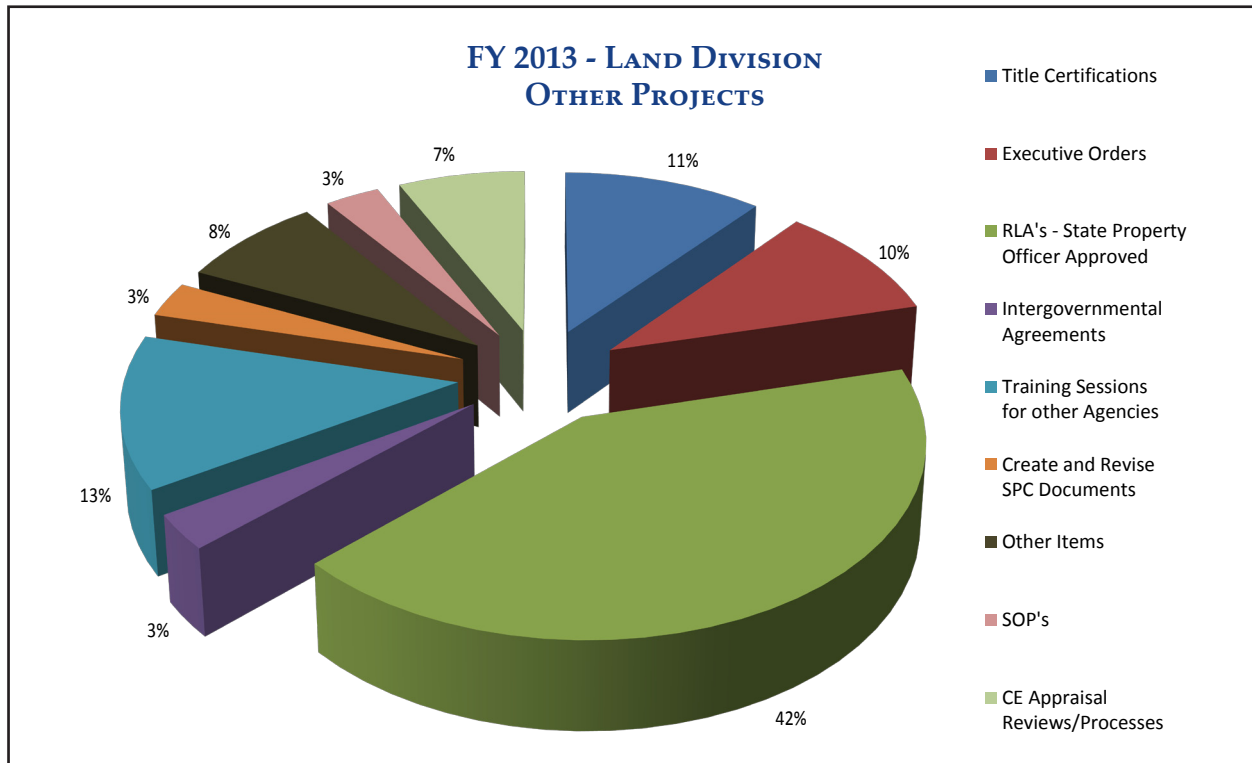
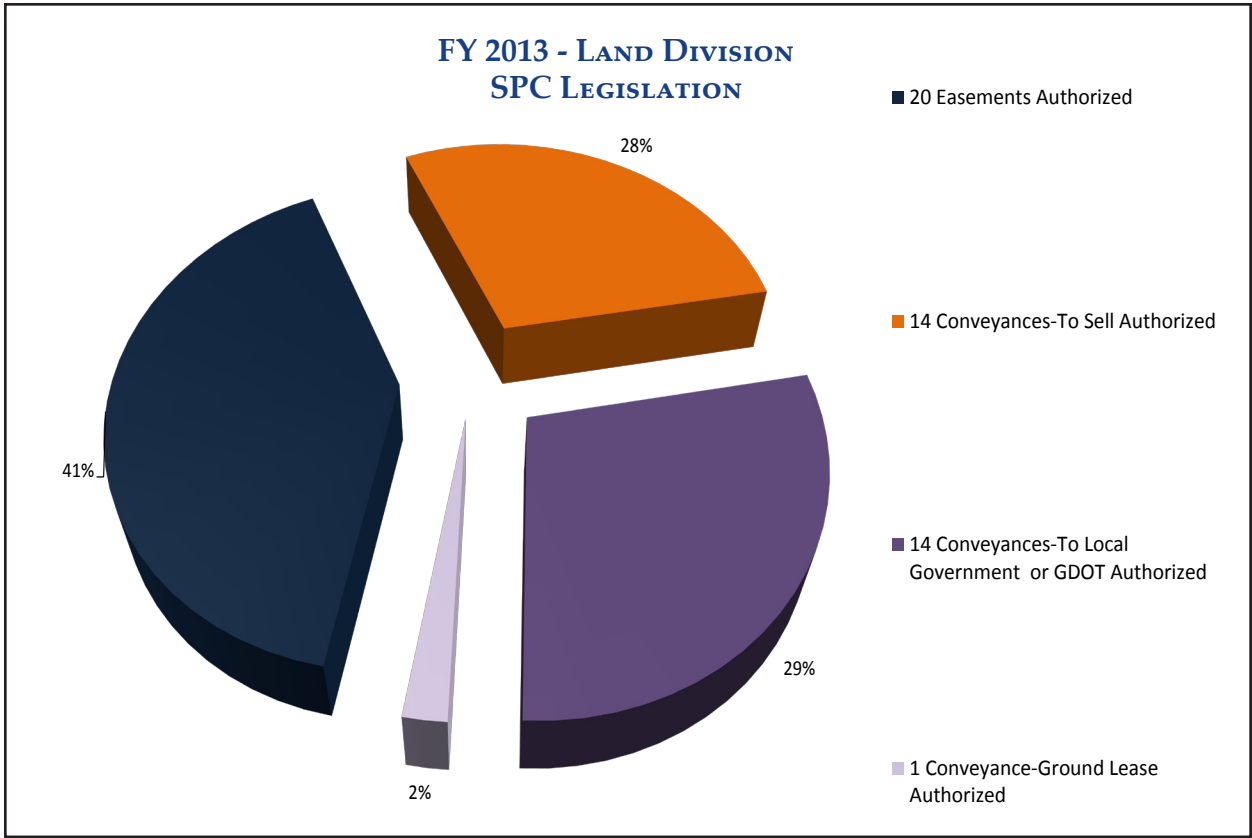
The Land Division assures that all acquisitions and dispositions of land in the State's name meet the legal, policy, and process requirements of the State. Properties owned by the Board of Regents and by Georgia DOT are excluded. Acquisitions into the State include fee simple interests, conservation easements, access and other easements and ground leases. Dispositions from the State include temporary revocable licenses, permanent easements, short or long-term ground leases and fee simple conveyances. The Land Division also leads projects on cross-agency issues and efficiencies, conducts title research, verifies ownership of State property for construction with GO bonds, and drafts Executive Orders for the Governor on property issues such as custody of land and the demolition of buildings. Additionally, the Division provides agency and individual training on SPC actions.

- Building on the SPC Disposition Study (2012), legislation to streamline disposition practices was introduced during the 2013 Session of the General Assembly as HB 495 and will be discussed during the 2014 session.
- During FY 2013 SPC acted as the agent for the Georgia Building Authority on the sale of the Tradeport

"We have had extremely beneficial assistance, guidance and partnering from many people at SPC on property issues for GSFIC-managed projects. Throughout the past 3 years we have worked closely with the staff in the Land Division as they have guided us and our customers (other State agencies) through the proper management of these issues to align with State requirements for acquisitions and Certification of Ownership of State property for projects. Their expertise, diligence and eagerness to explain all requirements is exceptional. The working relationship consistently exceeds my expectations; not only are they a pleasure to work with, I value them as key resources who have taught me an enormous amount about property acquisition, easements, etc. Good work, keep it up."

complex for \$2.2 million; this building housed the Department of Revenue's Tax Processing and Motor Vehicle Registration divisions. SPC also managed the sale of the former Youth Development Center in McIntosh County for \$1.675 million, which was in the custody of the Department of Juvenile Justice. Additionally, six (6) other properties were sold. The total for all sales during FY 2013 was \$4,440,088, constituting 209 acres.





- SPC briefings presented during six (6) meetings: 37 acquisitions and 4 reversions by quitclaim deed.
- Revocable Licenses issued: 42 for public purpose or short term use; 7 for private uses approved by the Board.
- Certification of ownership prior to GSFIC construction with GO bonds: 11.
- Executive Orders drafted for the Governor: 10.
- Interagency or intergovernmental projects: Georgia Aviation Authority properties to convey; tidal waters ownership and mitigation banks; Salt Creek Mitigation Bank; Cave Spring Rehabilitation Center; College Football Hall of Fame; 13 agency training sessions; and disposition of several armories.

During FY13, the Land Division implemented or developed the following process improvements:

- Interactive web-based document creation and sharing system for easements with the Law Department.
- Creation and SPC implementation of the initiative to



Jones Mill Pond Conservation Easement

improve Conservation Easement Tax Credit appraisal reviews; including SPC Policy effective January 1, 2013, SPC website instructions, education of Conservation Easement community and stakeholders.

- Forms and process revisions and improvements for efficiency.
- Internal and external workflow and efficiency studies.

Looking toward FY14, the Land Division will focus on the following opportunities:

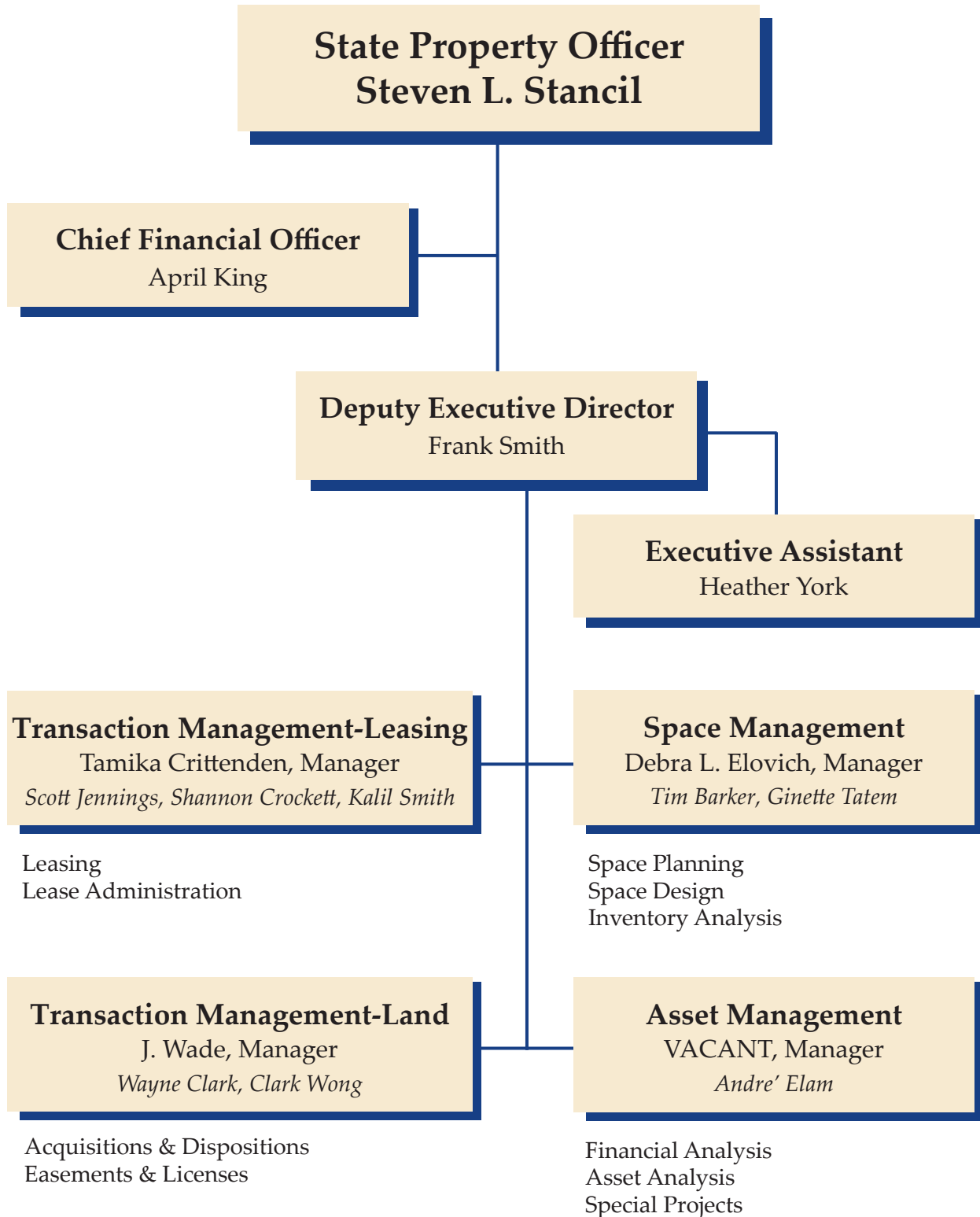
- Sales of more properties identified in SPC Disposition Study (2012) and more proactive selection of surplus and underutilized opportunities.
- State's tidal ownership in coastal counties, and mitigation solutions.
- Georgia World Congress Center Authority's new stadium project.
- Golden Isles (Glynn County) easement assignments and research.
- Research projects, such as the Multi-Modal Transit (Gulch) title research.
- Electronic document management system for electronic retention of SPC land files.
- Interagency and/or intergovernmental projects, such as surplus and sale of Northwest Regional Hospital and of Metro State Prison; work with new Central State Hospital Redevelopment Authority to repurpose and reuse that campus.

"I work with the land department quite often. They are always so helpful and patient with my many questions. Even when I ask for help with something that my agency should already have the information on, they don't hesitate to help me."

FY 2013 EXPENSE BUDGET

EXPENSES	
Personal Services Expenses	1,189,057
Regular Operating Expenses	40,709
Real Estate Rents	98,124
Per Diem and Fees	88,380
Computer Charges	22,961
Telecommunications	10,592
Total Expenses	1,449,823
Total Position Count	14

ORGANIZATIONAL CHART



STATE PROPERTIES COMMISSION
47 TRINITY AVENUE, SUITE G02, ATLANTA, GEORGIA 30334
404-656-5602 • FAX 404-651-8084
www.spc.georgia.gov
DECEMBER 2013