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SENATE BILL DRS15186-MQ-15

Short Title: Agency Vacant Property. (Public)

Sponsors: Senators Burgin and Chaudhuri (Primary Sponsors).

Referred to:

A BILL TO BE ENTITLED
AN ACT TO REQUIRE THE DEPARTMENT OF ADMINISTRATION TO ASSESS,
CATALOG, REPORT, AND DISPOSE OF CERTAIN VACANT STATE PROPERTY.
The General Assembly of North Carolina enacts:

SECTION 1. G.S. 143-341 reads as rewritten:

"§ 143-341. Powers and duties of Department.

The Department of Administration has the following powers and duties:

(1) Repealed by Session Laws 1979, 2nd Session, c. 1137, s. 38.

(2) Purchase and Contract:

a. To exercise those powers and perform those duties which were, at the time of the ratification of this Article, conferred by statute upon the former Division of Purchase and Contract.

...

(4) Real Property Control:

a. To prepare and keep current a complete and accurate inventory of all land owned or leased by the State or by any State agency. This inventory shall show the location, including the latitude and longitude of the center of the property, acreage, description, source of title and current use of all land (including swamplands or marshlands) owned by the State or by any State agency, and the agency to which each tract is currently allocated. Surveys may be made where necessary to obtain information for the purposes of this inventory. Accurate plats or maps of all such land may be prepared, or copies obtained where such maps or plats are available.

b. To prepare and keep current a complete and accurate database of all buildings owned or leased (in whole or in part) by the State or by any State agency. This database shall serve as the State inventory and shall include all of the following information and floor plans of every such building shall be prepared or copies obtained where such floor plans are available, where needed for use in the allocation of space therein:

1. The building's location, including the latitude and longitude of the center of the building.
2. A description of the operations supported by the building.
3. The agency or agencies that occupy the building. The current occupant of the building or, if the building is vacant, the current period of vacancy.



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4. Ownership information for the building.
5. The size of the building in terms of both gross and usable square feet.
6. A description of the building.
7. The building's condition assessment, including the estimated cost to make needed repairs and renovations as well as the date that the last condition assessment was completed.
8. The building's annual operating costs.
9. The building's annual maintenance costs.
- 9a. The total potential liability to the State for the building and the land where the building is situated.
10. The number of usable workspaces contained in the building.
11. The number of full-time equivalent positions assigned to the building by each agency occupant.
12. The amount of the building that is utilized, measured in accordance with the procedures developed pursuant to G.S. 143-341.2(a)(3).
13. Maintenance record, including replacement and maintenance schedules for all major mechanical systems.
14. Parking and employee facilities.
15. Any other information deemed relevant by the Department of Administration.

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SECTION 2. G.S. 143-341.2 reads as rewritten:

"§ 143-341.2. Proactive management of State-owned and State-leased real property portfolio.

(a) Duties of the Department of Administration. – The Department of Administration shall have the following powers and duties:

- (1) Development of comprehensive State facilities plan. – No later than April 1, 2023, and every five years thereafter, the Department of Administration shall develop and implement a plan to comprehensively manage, acquire, and dispose of the facilities and spaces required to fully support State government operations. The plan shall do all of the following:
 - a. Identify the type, quantity, and location of facilities and spaces required to fully support State government operations.
 - b. Include an in-depth analysis of existing State-owned facilities' locations, capability, utilization, occupancy status, and condition.
 - c. Establish strategic priorities and objectives that allow the Department of Administration to manage the performance of the State's portfolio of real property in a way that maximizes the utilization of State-owned facilities and minimizes operating and maintenance costs.
 - d. Take into consideration the information provided to the Department in five-year real property management plans submitted by State agencies pursuant to subdivision (b)(4) of this section.
 - e. Provide a mechanism for allocating available facilities or space to State agencies that need it in a manner that reduces the need to acquire new space through purchase, lease, or other means.
 - f. Provide recommendations for disposing of existing State property and facilities, consolidating operations among existing facilities, and relocating State agencies from leased facilities to State-owned facilities.

- g. Describe all changes made to space planning standards developed and distributed as provided in subdivision (4) of this subsection.
- h. Identify potential facilities eligible for surplus disposal under G.S. 143-341.3.
- (2) Development of performance management system. – The Department of Administration shall establish a performance management system to measure the State's achievement of the priorities and objectives set forth in plans developed pursuant to subdivision (1) of this section. The system shall set measurable goals and deadlines and shall be designed to focus on optimization and efficiency of the State's portfolio of real property. The system shall be used to report the information required by sub-sub-subdivision (7)c.1. of this section.
- (3) Development of utilization measures. – The Department of Administration shall develop and distribute to State agencies procedures to be used to measure the utilization of State-owned and State-leased real property. The procedures developed pursuant to this subdivision shall be all of the following:
- a. Based on the percentage of usable square feet in a facility that is used for State agency functions or for storage, or on other trade industry standards of utilization measurement.
 - b. Adjusted as appropriate for each facility type.
 - c. Designed to yield an easily understandable index or ratio of facility utilization.
 - d. Developed in consultation with State agencies.
- (4) Development and enforcement of space planning standards. – The Department of Administration shall develop and distribute to State agencies space planning standards to be used to determine workspace size and to govern the use of shared space. The standards developed pursuant to this subdivision shall be based on the Federal GSA's Office of Real Property Management Performance Measurement Division Workspace Utilization and Allocation Benchmark report unless the Department identifies another efficient industry standard upon which to base the space planning standards developed pursuant to this subdivision. The Department shall:
- a. Annually perform audits of a portion of State agencies to determine each agency's adherence to the space planning standards developed pursuant to this subdivision and shall send formal letters of admonishment to any agency that fails to justify, in the sole discretion of the Department, any deviation from those standards.
 - b. Update the space planning standards developed pursuant to this subdivision at least once every five years and distribute those changes to State agencies.
- (5) Updating of real property inventories. – The Department of Administration shall do all of the following to ensure that the information contained in the inventories maintained pursuant to G.S. 143-341(4) is kept current:
- a. Immediately incorporate information received from State agencies pursuant to subdivision (b)(1) of this section into the inventories.
 - b. Immediately notify State agencies when the incorporation of information into the inventories required by sub-subdivision a. of this subdivision is complete.
- ~~(6) Development of surplus property identification and disposal system. – The Department of Administration shall establish a surplus real property disposal system that limits the duration that unneeded property is retained by the State.~~

~~As part of the system, the Department shall adopt rules defining surplus State-owned real property and establishing a system for continuously identifying and disposing of that property, subject to the approvals required by Chapter 146 of the General Statutes, which shall take into consideration all of the following:~~

- ~~a. The value each facility or parcel of land brings to the performance of the mission of the State or State agency and the fulfillment of its goals and objectives.~~
- ~~b. A general measure of the facility's condition calculated as a ratio of repair needs to replacement value.~~
- ~~c. The degree to which the property is utilized, measured in accordance with the procedures developed pursuant to subdivision (3) of this subsection.~~
- ~~d. The extent to which the property meets the purpose for which it was intended.~~
- ~~e. The extent to which the State or State agency is likely to need to continue to provide the service or function currently provided at the property.~~
- ~~f. Consideration of the best and most cost effective manner in which these future needs can be met.~~

(7) Reporting. – The Department of Administration shall make the following reports:

- a. No later than April 1, 2023, and every five years thereafter, the Department shall report the following to the Joint Legislative Commission on Governmental Operations and Joint Legislative Oversight Committee on Capital Improvements, Joint Legislative Oversight Committee on General Government, and Fiscal Research Division:
 - 1. The plan developed pursuant to subdivision (1) of this subsection.
 - 2. A summary of the performance measurement procedures developed pursuant to subdivision (2) of this subsection.
- b. If any State agency fails to submit the information required by subdivision (b)(1) of this section, the Department shall report the failure to the chairs of the Joint Legislative Commission on Governmental Operations, the chairs of the Joint Legislative Oversight Committee on Capital Improvements, and the chairs of the Joint Legislative Oversight Committee on General Government within 30 days.
- c. No later than April 1, 2024, and each year thereafter, the Department shall report to the Joint Legislative Commission on Governmental Operations, Joint Legislative Oversight Committee on Capital Improvements, Joint Legislative Oversight Committee on General Government, and Fiscal Research Division on the State's portfolio of real property. This report shall include at least the following information:
 - 1. The status of achieving the goals and objectives set forth in the most recent plan developed pursuant to subdivision (1) of this section.

2. Trends in the inventory of leased and owned buildings and real property, including changes in value, square footage, and operation and maintenance costs.
 3. Trends in the inventory of State-owned land, including changes in acreage and value.
 4. Allocation of leased and owned space by facility type, by agency, and by county.
 5. Benchmarks for comparable private sector leases across the regions of the State for both rural and urban locations, as appropriate.
 6. An analysis of utilization targets and a list of owned and leased real property identified as unused or underutilized.
 7. A list of the following information for the period beginning after submission of the most recent report pursuant to this sub-subdivision:
 - I. State-owned properties identified as unused or underutilized.
 - II. State-owned properties sold.
 - III. State-owned properties in the process of being disposed of.
 - IV. Properties reallocated between State agencies.
 8. A list of all audits performed that year pursuant to sub-subdivision a. of subdivision (4) of this subsection, a summary of the findings of each audit, and the agency's plans for addressing the findings of the audit.
- (b) Duties of Other State Agencies. – Each State agency shall have the following powers and duties:
- (1) Collection and reporting of information on property use. – No later than November 1, 2022, and each year thereafter, each State agency shall submit to the Department of Administration all of the information described in G.S. 143-341(4)b.1. through 15. for each building, facility, or space in any building or facility that the agency occupies. This shall be in addition to any reports required pursuant to G.S. 143-341(4)h.
 - (2) Verification of information in real property inventories. – Within 60 days of receiving notice from the Department of Administration pursuant to sub-subdivision (a)(5)b. of this section, each State agency shall report to the Department one of the following, as applicable:
 - a. That the information submitted to the Department of Administration pursuant to subdivision (1) of this subsection is accurately reflected in the real property inventories.
 - b. A list of discrepancies between the information submitted to the Department of Administration pursuant to subdivision (1) of this subsection and the corresponding information in the real property inventories.
 - (3) Auditor may audit submissions. – The State Auditor may audit submissions made to the Department of Administration pursuant to subdivision (1) of this subsection and may recover any costs incurred in performing such an audit from the State Land Fund, in accordance with G.S. 146-72.
 - (4) Development of five-year property management plan. – No later than November 1, 2022, and every five years thereafter, each State agency shall develop a five-year real property management plan and shall submit the plan

to the Department of Administration for review. Each plan shall do all of the following:

- a. Identify the type, quantity, and location of facilities and spaces required to fully support agency operations.
- b. Include an in-depth analysis of existing facilities' locations, capabilities, utilization, and condition.
- c. Establish agency-specific strategic priorities and objectives for each asset under its control.

(c) Exception for Property Not Subject to Department of Administration Oversight. – None of the requirements of this section shall apply to facilities that are not subject to the real property oversight of the Department of Administration under G.S. 143-341. A State agency that is entirely exempt from the real property oversight of the Department of Administration shall not be required to submit any information pursuant to subsection (b) of this section. A State agency that is partially exempt from the real property oversight of the Department of Administration shall submit information pursuant to subsection (b) of this section for those properties that are subject to the real property oversight of the Department of Administration."

SECTION 3. Part 1 of Article 36 of Chapter 143 of the General Statutes is amended by adding a new section to read:

"§ 143-341.3. Disposal of surplus real property.

(a) Surplus Real Property Disposal. – The Department of Administration shall establish a surplus real property disposal system that limits the duration that unneeded or vacant property is retained by the State. As part of the system, the Department shall (i) adopt rules in accordance with this section, including defining surplus State-owned real property, and (ii) establish a system for continuously identifying and disposing of that property, subject to the approvals required under Chapter 146 of the General Statutes, which shall take into consideration all of the following:

- (1) The value each facility or parcel of land brings to the performance of the mission of the State or State agency and the fulfillment of its goals and objectives.
- (2) A general measure of the facility's condition calculated as a ratio of repair needs to replacement value.
- (3) The degree to which the property is utilized, measured in accordance with the procedures developed pursuant to G.S. 143-341.2(a)(3).
- (4) The extent to which the property meets the purpose for which it was intended.
- (5) The extent to which the State or State agency is likely to need to continue to provide the service or function currently provided at the property.
- (6) Consideration of the best and most cost-effective manner in which these future needs can be met.
- (7) Whether the property has been vacant for one year or longer.
- (8) An assessment of private or public interest in the property.

(b) Method for Disposal. – For properties identified as surplus pursuant to this section, the Department of Administration shall, subject to the approvals required under Chapter 146 of the General Statutes, dispose of the surplus real property by sale. If the Department of Administration is unable to dispose of the real property by sale for a period of six months, the Department shall dispose of the property by auction or by transfer of title to a city or county in this State, provided that the city or county presents evidence satisfactory to the Department of an economic development use for the property.

(c) Proceeds of Sale. – Notwithstanding G.S. 146-15, G.S. 146-30, or any other provision of law, the gross proceeds of the sale of surplus real property under this section shall be handled in accordance with the following priority:

- (1) First, by subtracting any expenses incurred incident to the sale as may be allowed under rules and regulations adopted by the Governor and approved by the Council of State.
- (2) Second, in accordance with the provisions of any trust or other instrument of title whereby title to real property was acquired.
- (3) Third, as provided by any other act of the General Assembly.
- (4) Fourth, by depositing the remaining proceeds in accordance with the following:
 - a. Fifty percent (50%) to the General Fund.
 - b. Fifty percent (50%) to the Department of Administration to be used for repair and renovation projects as provided in G.S. 143C-8-13."

SECTION 4. No later than three months after the effective date of this section, the Department of Administration shall submit a report to the Joint Legislative Oversight Committee on General Government and the Fiscal Research Division with the vacant building data required under G.S. 143-341, as enacted in this act.

SECTION 5. This act becomes effective July 1, 2025.