



PROGRAM EVALUATION DIVISION

NORTH CAROLINA GENERAL ASSEMBLY

June 2015

Report No. 2015-04

North Carolina Should Dispose of Unneeded Real Property and Improve Portfolio Management to Reduce Costs

Summary

North Carolina's Department of Administration (DOA) is responsible for managing the State's portfolio of real property, which consists of nearly \$26 billion in state-owned buildings, \$1.6 billion in state-owned land, and \$65 million in annual expenditures for leased space. Within DOA, the State Property Office (SPO) is charged with management of the State's portfolio including identifying and disposing of unused, underutilized, or surplus assets.

The State retains interest in unneeded real property that could generate an estimated \$14.3 million in one-time revenue and provide an additional \$2.6 million in future cost avoidance. From a sample of 49 state-owned and leased properties, the Program Evaluation Division identified 17 vacant properties and underutilized properties for disposal. In addition, opportunities exist to increase utilization of state-owned space that could result in \$2.6 million in future cost avoidance.

The State lacks a systematic process and data to identify unused and underutilized real property. There is no formal process to identify unused and underutilized property; DOA relies on agencies to voluntarily and periodically identify properties no longer serving a programmatic need. Furthermore, utilization and other critical property performance data are not tracked by DOA, preventing decision makers from knowing which real property assets continue to meet programmatic needs. In addition, the state property database is inaccurate and unsecure.

DOA has not implemented portfolio management practices. As a result, the State cannot identify the type, quantity, and location of spaces required to fully support organizations. A more robust approach to reporting would promote accountability and active management of the State's portfolio of real property.

To address these deficiencies, the General Assembly should modify state law and direct DOA to:

- comprehensively manage the State's portfolio of real property through more robust planning, performance management, and oversight reporting;
- modify the State's inventory of real property to improve its completeness, accuracy, and security;
- dispose of 17 unneeded properties identified in this report; and
- review requests to acquire new or renew existing leased space to determine if suitable state-owned space can meet lease requirements.

The General Assembly should also modify state law and require all state agencies to collect, track, and report data on state-owned and leased space they occupy and maintain a current facilities management plan.