REAL ESTATE AND CAPITAL IMPROVEMENT NEEDS ANALYSIS

Introduction

- CBRE awarded RFP No. 13-JB18236653 to evaluate the State’s real estate portfolio and recommend opportunities to re-purpose State assets for either private development or other State use.

- Project Team from CBRE:
  - Local Market Experts from Raleigh and Charlotte offices
  - National Best Practices from CBRE’s State and Local Government Practice Group based in Washington, DC
CBRE PIES is a national practice group that provides advisory and transaction management services to state and local governments.

Recent Strategic Planning Assignments:

- State of Maryland
- State of New York
- State of Florida
- State of South Carolina
- Fort Lauderdale
- Arlington County, VA
REAL ESTATE AND CAPITAL IMPROVEMENT NEEDS ANALYSIS

Project Team & Approach to Project

- CBRE Project Team:
  - **CBRE**: Local Market Expertise & Best Practices from Local Government Peer Groups
  - **O’Brien/Atkins**: Workplace Strategies & Urban Planning
  - **Cardno**: Facilities Engineering & Mechanical Systems

- Approach to Project:
  - Desktop Review of State Documents
    - Six Year Agency Capital Needs Requests
    - Facility Condition Assessment Program (FCAP) Reports
  - Agency Interviews
  - Site Visits to Raleigh Government Office Complex
Owned Real Estate

- North Carolina owns 12,000 facilities totaling more than 122 million square feet.
- Excluding education and special use facilities, North Carolina owns approximately 8,000 administrative office facilities totaling 50 million square feet.
- The State of NC owns 870,000 acres of land.

Leased Real Estate

- North Carolina has approximately 760 leases totaling 4.8 million square feet.
REAL ESTATE AND CAPITAL IMPROVEMENT NEEDS ANALYSIS

Key Findings: Facility Capital Needs

- Observations:
  - Estimated facility deficiencies within the State owned portfolio are $4.7 billion, or approximately $39 per square foot.
  - Near term deficiencies are estimated to be $1.4 billion, or approximately $11 per square foot.
  - Industry sustainment costs are typically 2.0% - 4.5% of total portfolio value annually, implying approximately $500 million per year.

- Recommendation:
  - All state-owned facilities greater than 5,000 square feet should be assessed every 5 years.
REAL ESTATE AND CAPITAL IMPROVEMENT NEEDS ANALYSIS

Key Findings: Space Utilization

- **Observations:**
  - Current utilization in downtown Raleigh is 319 square feet per person. Current utilization trends are typically less than 200 square feet per person.
  - CBRE observed eight (8) different size allocations for office workstations, which contributes to inefficient space planning.
  - Conference room and collaboration space is insufficient.

- **Recommendations:**
  - Adopt standards for new space requirements that target utilization rates of less than 200 square feet per person.
  - Consider “re-stacking” existing facilities to improve efficiencies and accommodate more staff.
  - Reduce office workstation allocations to a maximum of five (5) sizes.
REAL ESTATE AND CAPITAL IMPROVEMENT NEEDS ANALYSIS

Key Findings: Strategic Recommendations

- Downtown Raleigh:
  - Relocate Department of Revenue
  - Relocate Department of Administration Occupants to the Revenue Building
  - Develop/disposition of Parking Lot 18 and Department of Administration Site
  - Relocate Employment Security Commission and Develop/Disposition of Wade Avenue Site

- Suburban Raleigh:
  - Relocate Textbook Warehouse and Motor Fleet Management Facility and develop/disposition of Blue Ridge Road
  - Relocation of Garner Road State Highway Test Trace and develop/repurpose for long-term State use
REAL ESTATE AND CAPITAL IMPROVEMENT NEEDS ANALYSIS

Key Findings: Leased Portfolio

- Recommendations:
  - Centralize lease procurement process and implement space standards to improve efficiency and consistency for all State leases.
  - Negotiate market standard tenant rights: expansion, relocation, right of first offer, termination, renewals, etc.
  - Employ methodology for determining operating versus capital expenses.
  - Leverage the State’s credit rating and profile during lease negotiations: base rent, escalations, base building improvements, tenant improvements, and landlord concessions.